

Missouri Public Service Commission



Telecommunications Department

2005 In Review

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Telecommunications Department 2005 in Review

Section I. Telecommunications Department Staff

Twelve people comprised the Telecommunications Department at the end of 2005. These people are: John Van Eschen (Manager), Larry Henderson (Technical Specialist II), Mick Johnson (Technical Specialist II), Natelle Dietrich (Economist III), Walt Cecil (Economist II), Mike Scheperle (Economist II), Adam McKinnie (Economist II), William Voight (Rate and Tariff Supervisor), Art Kuss (Utility Engineering Specialist II), Sherri Kohly (Rate & Tariff Examiner III), Lisa Mahaney (Rate & Tariff Examiner II), Sara Buyak (Rate & Tariff Examiner II).

In 2004 the department had three vacant positions (Economist I/II, Rate & Tariff Examiner I/II, and Auditor III) and during the past year these positions were ultimately removed from the department. During 2005 Bill Peters (Economist II) left the Commission. This Economist II position remains vacant at the present time.

Section II. Staff Training and Travel

FRI Symposium (October 5, 2005): The Financial Research Institute at the University of Missouri – Columbia held their annual Utility Symposium on October 5, 2005. The title of the Symposium was, “Future of State Regulation in an Increasingly Inter-state (Federalized?) Environment”. Speakers included Commissioner Sandra Hochstetter, the chairperson of the Arkansas Public Service Commission; Richard Stavros, Executive Editor of Public Utilities Fortnightly; and Dr. Stephen Ferris, the director of the FRI. Panel discussions took place regarding federal energy policy and differing perspectives (Industry, State Commissions, Wall Street, and Consumer) on regulatory policy. Panel members included Commissioners from Kansas, Illinois, Arkansas and Missouri (Commissioner Steve Gaw); industry representatives; and consultants from various financial institutions.

IBM/Cisco Technology Seminars (Jefferson City): Larry Henderson and Mick Johnson attended a series of quarterly seminars hosted by Cisco. The seminars focused on VoIP systems, network/interface equipment and network security. Several of the seminars provided hands-on experience with the VoIP technology.

Missouri Telecommunications Industry Association Spring Meeting (May 10 in St Louis): Updates on current telecommunications topics, trends, legislation and regulation were addressed concerning the local, state and federal levels. Attending were Natelle Dietrich, Larry Henderson and John Van Eschen.

AT&T Network Disaster Recovery (July 19): Larry Henderson attended a seminar hosted by AT&T at the Double Tree Hotel in Overland Park Kansas. The Network Disaster Recovery (NDR) exercise is part of the AT&T company’s business plan to ensure that it can quickly restore communications to its customers if a disaster destroys or damages part of its network. About 45 company technicians and engineers built a mobile telephone switching

center to simulate what would happen if one of the company's switching centers was destroyed by natural or man made disasters. AT&T's NDR team used 14 equipment trailers and support vehicles to build the simulated data-routing and voice switching center. This team has been activated 12 times since 1990. This exercise is conducted four times yearly nation wide.

Missouri State Fair (August 13 & 20): Larry Henderson helped man the Commission's display booth where he helped field consumers' questions on utility issues.

Missouri Telecommunications Industry Association Annual Meeting (August 8-10): The meeting was held at the Chateau on the Lake in Branson Missouri and had the following speakers: Bob Williams (OPASTCO) on "Charting a Course for Success in an Uncertain Future", Bill Hegmann (National Exchange Carrier Association) "Revenue Stream for the 21st Century", Tim Owens (Cronin Communications) "Financing the Fat Pipe" and Steve Rizzo ("The Attitude Adjustor"). Larry Henderson, Sara Buyak and John Van Eschen attended.

Mid-America Telecom Showcase & Seminar (MATSS) (October 17 & 18 in Kansas City): Larry Henderson and Mick Johnson attended the annual showcase co-sponsored by ATA, KTIA, MTIA, NTA, OTA, and SITA. The event features the latest in telecommunications technology, support services and product demonstrations. This year's emphasis was "Critical Times for America's Rural Carrier's" - the view from Capital Hill. This seminar has breakout sessions of technical interest in such areas as bonding and grounding of plant, battery back up digital line equipment, and loop design for providing the triple play services plus video transmission, and State Wide Network Alliance, and why. They also have breakouts on marketing, growth, and financing.

Telephony over Digital Cable (Rolla) (October 26): Larry Henderson and Mick Johnson attended an overview of telephone service being provided over cable in conjunction with the triple play services. This provided hands on experience with "Hybrid Fiber Coaxial Network" to the home technology. This training was hosted by Mark Head of Fidelity Communications. The training focused on digital cable service versus VoIP cable systems.

Telephony over Passive Optic Fiber Network (PON) (Jefferson City) (October 28): Larry Henderson and Walt Cecil attended an overview of telephone service being provided over a Passive Optic Network in conjunction with the triple play services. This provided hands-on experience with fiber to the home technology. This training was hosted by Mark Davis of Chariton Valley Telephone. The training focused on the elements in a passive optic network and VOIP in the local loop.

An Introduction to GIS and Community Analysis (St. Louis) (July): Art Kuss attended this mapping training workshop presented by New Urban Research, Inc., a consulting and training firm. The one-day course taught techniques for applying the Missouri Commission's ArcGIS Geographic Information System (GIS) mapping program and its coordination with US Census data and public demographics. Topics included Thematic Mapping, GEO Coding

or Address Mapping, and Spatial Querying. The program's core components were particularly relevant to government entities, social service providers and municipal planners.

MTIA Regulatory Committee Luncheon (Jefferson City) (July 15): Bill Voight, Natelle Dietrich and John Van Eschen attended a luncheon with the Missouri Telecommunications Industry Association's Regulatory Committee. The luncheon was organized by MTIA to provide an opportunity for the Regulatory Committee members to get to know us better. (The Commission paid for the Commission Staff members' lunches.)

Linn State Technical College (April 15): Larry Henderson and Mick Johnson made a presentation on the Commission's quality of service rules for telecommunications carriers. The presentation was presented to students at Linn State Technical College who were pursuing an associate's degree in telecommunications. Linn State Technical College instructors Dan Ramsey and Sam Webster have made this presentation a tradition for each graduating class.

NARUC: Natelle Dietrich is an active member of the NARUC Staff Telecommunications Subcommittee and serves as the first vice chair of the subcommittee. She attended subcommittee meetings in February, July and November 2005. Throughout the year, the Staff Subcommittee considered issues such as universal service programs, truth-in-billing, intercarrier compensation, eligible telecommunications carrier designations, mergers and acquisitions and naked DSL. In addition to the meetings, Natelle participates in weekly commissioner conference calls addressing a variety of timely issues.

Internal Training

VoIP for Attorneys: On September 22, Bill Voight provided an overview of Voice over Internet Protocol telephone service; the training was conducted especially for members of the General Counsel's Office. The overview provided a fundamental description of how the public Internet is used to transmit telephone calls, and the fundamental methods employed by carriers such as Vonage and Skype. Use of the public Internet for voice transmission was compared and contrasted with the use of internet protocol over "private" inter-networks, such as those employed by various cable telephone companies, including Time Warner, Mediacom, and Cox Cable. Also discussed was the use of "partnering" arrangements whereby facilities of one carrier are combined with those of another carrier to provide local voice telephone service.

BPL Symposium: On the afternoon of August 26, 2005, the Energy Department of the Missouri Public Service Commission held a symposium on issues concerning Broadband over Power Lines (BPL). Speakers included Laura Wolfe from the Energy Department, Greg Lovett from Ameren UE, and Ryan Kind from the Office of Public Council. Attendees from the Telecommunications Department Staff included: Adam McKinnie, John Van Eschen, and Larry Henderson.

Federal Telecommunications Matrix: A matrix was developed to track federal telecommunications activity. Staff received training on the matrix and some items of interest

in November 2005. The matrix is located on the Commission's g: drive and contains key items of interest from the FCC, the Department of Justice and Congress. The matrix contains links to pertinent orders and notices and contains links to summaries provided by the Commission's Washington DC Counsel.

M2A Replacements: The Missouri 271 agreement expired in March 2005. A mega-arbitration was held on several outstanding issues and the Commission issued its decision in July 2005. Staff training summarized that decision and covered issues that may be relevant to other telecommunications cases or discussions.

Telephony 101 for the Adjudication Division: Larry Henderson and Mick Johnson provided an overview of the telephone network to all the judges. The overview covered home wiring, the connection to the network interface device, and the routing of telephone calls. The training consisted of hands-on and visual aids to demonstrate the flow and property characteristics of a telephone call.

Reviewing Routine Tariff Filings: On December 28, Bill Voight provided an overview to the department on the process used by the Staff to review routine tariff filings. The overview covered the proper forms to use, the purpose and summary section, applicable statutes and rules, and internal routing procedures.

Telephone Certificates and Applications: On December 21, Bill Voight provided in-house training on the process used by the Staff to process telephone certificates, asset transfers, and merger applications. Particular emphasis was directed to the internal processes and correct forms used by the Staff to process the various applications.

VNXX Study Group: In 2005, a staff-level "Virtual NXX" study group was formed by Bill Voight to track and follow docketed cases pertaining to the use of virtual NXX codes in various state jurisdictions, as well as activities occurring at the federal level. The goal of the study group was to keep abreast of various arbitration orders and regulatory and court rulings involving the use of virtual NXX codes. The study group examined approximately 15 cases involving the use of VNXX codes in North America. Various VNXX "position statements" and "white papers" of telephone companies and other stakeholders were also analyzed. Both traditional circuit switched and packet switched use of VNXX codes were examined. Team members included Sara Buyak, Adam McKinnie, Art Kuss, Mike Scheperle, Walt Cecil and Natelle Dietrich. Staff was assisted in its efforts by Marc Poston of the General Counsel's Office. The team met throughout 2005 for discussions and analysis of the various cases being studied. Having completed its task, the study group was disbanded in the fall of 2005.

Teleconferences:

One of the ways Telecommunications Department Staff members stay current on issues is by participating in nationwide teleconferences. The following is a list of teleconferences that Telecommunications Department Staff members have participated in the past year:

Title of Teleconference	Date	Staff Members Present
Understanding the New Inter-Carrier Compensation Regime	3-22-05	Adam McKinnie, Bill Voight, Walt Cecil, John Van Eschen, Mike Scheperle, Natelle Dietrich
Inside the FCC's E911 VoIP Order	7-13-05	Bill Voight, John Van Eschen, Adam McKinnie, Mike Scheperle, Larry Henderson, Mick Johnson
BPL Business Model Audio Conference	8-19-05	John Van Eschen, Walt Cecil
Building the BPL Business Model Part 2	11-7-05	John Van Eschen, Adam McKinnie
Understanding the Mega Merger Conditions (SBC / AT&T; Verizon / MCI)	12-7-05	Larry Henderson, Mick Johnson, Adam McKinnie, John Van Eschen, Natelle Dietrich

Section III. Rate Cases

BPS (Bernie, Parma, Steele) Telephone Company (Case No. TC-2002-1076): BPS Telephone Company serves approximately 3,800 subscribers in southeast Missouri. This case began as a result of a PSC Staff audit conducted on the books and records of BPS Telephone Company. Based upon that audit, the Staff recommended telephone revenues be reduced. The agreement approved by the Commission was submitted by the Staff, the Office of Public Counsel and BPS Telephone Company. A party to the case, Southwestern Bell, did not oppose the agreement. The Staff concluded its earnings investigation of BPS Telephone Company by submitting a unanimous stipulation and agreement which was accepted by the Commission on April 12, 2005. As approved by the Commission, annual revenues for BPS were reduced by approximately \$460,000. Most of the reduction, approximately \$380,000, came from implementing an expanded one-way local calling plan. Under the agreement, BPS also reduced intrastate exchange access charges for long-distance carriers by approximately \$80,000 annually.

Under the agreement, BPS customers now have toll-free, expanded local calling at no additional charge according to the following schedule:

Originating Exchange		Terminating Exchange
Bernie	to	Parma and Malden
Parma	to	Bernie, Risco, New Madrid, Lilbourn and Essex
Steele	to	Caruthersville, Hornersville, and Deering

Customers in the originating exchange are now able to call businesses and individuals in the terminating exchange as part of their current local exchange rate. Calls are dialed on a local (seven-digit dial) basis. The plan is limited to voice traffic and is not available for Internet and data calling.

Section IV. Competitive Classification Requests

Competitive classification allows a company to no longer be bound by either price-cap or rate-of-return regulation. Stated differently, competitive classification allows a company to raise rates upon ten days notice to the Commission and to potentially affected customers. In August 2005, Senate Bill 237 became effective. This new law altered the criteria for achieving competitive status. SB 237 contemplates two tracks, a 30-day track and a 60-day track. Under the 30-day track the Commission has 30 days to decide if a company has met the criteria of two providers providing local voice service in the exchange. At least one of the providers must be a provider using some or all of its own facilities in providing local voice service while the second provider could be a wireless provider. VoIP providers or providers relying exclusively on resale do not satisfy the requirements for an exchange to qualify for competitive status under the 30-day track. In contrast, the 60-day track allows an incumbent to petition the Commission for competitive status based on the existence of other types of providers. Under the 60-day track the Commission shall approve the petition unless the Commission finds that granting competitive status is contrary to the public interest. A more detailed discussion of the legislation can be found under Section XVIII of this Report.

Sprint's 30-day petition (Case No. IO-2006-0092): On August 30, 2005, Sprint filed an application seeking competitive classification for residential services in Ferrelview, Platte City and Weston and for business services in Ferrelview, Platte City, St. Robert, Fort Leonard Wood and Waynesville. On September 9, 2005, Sprint withdrew its request to include Fort Leonard Wood in its request. The Commission found, after hearing, the evidence showed that for each of the four exchanges for business services and for each of the three exchanges for residential services there is at least one non-affiliated entity providing "local voice" service in whole or in part over facilities in which it or one of its affiliates has an ownership interest and at least one non-affiliated wireless carrier providing basic local telecommunications service. Competitive classification was granted for residential services in Ferrelview, Platte City and Weston and for business services in Ferrelview, Platte City, St. Robert and Waynesville.

Southwestern Bell: During 2005 SBC had three cases pending before the Commission regarding competitive classification requests. Case No. TO-2005-0035, was initiated in mid-2004 and was pending prior to the passage of Senate Bill 237. After SB 237 became effective, SBC filed two petitions for competitive classification on August 30, 2005. One petition, Case No. TO-2006-0093, was filed under the 30-day track and a second petition, Case No. TO-2006-0102, was filed under the 60-day track. Although all three cases will be briefly discussed in this report, competitive classification was granted in seventy-seven residential exchanges and seventy-five business exchanges through the decisions in Case Nos. TO-2006-0093 and TO-2006-0102.

**Competitively Classified Exchanges
AT&T Missouri (SBC)**

<i>Exchange</i>	Residential	Business		<i>Exchange</i>	Residential	Business
Advance	Yes	-		Kansas City	Yes	Yes
Antonia	-	Yes		Kennett	-	-
Archie	-	-		Kirksville	-	-
Ash Grove	-	-		Lake Ozark-Osage Beach	-	Yes
Bell City	Yes	-		Linn	-	-
Billings	-	-		Manchester	Yes	Yes
Bonne Terre	-	Yes		Marble Hill	-	Yes
Boonville	-	-		Marionville	-	-
Camdenton	-	Yes		Marshall	-	-
Cape Girardeau	-	Yes		Maxville	-	Yes
Carthage	-	-		Mexico	-	-
Cedar Hill	-	-		Moberly	-	-
Chaffee	-	-		Monett	Yes	Yes
Chesterfield	Yes	Yes		Montgomery City	-	-
Chillicothe	-	-		Neosho	-	-
Clever	-	Yes		Nevada	Yes	Yes
Delta	Yes	-		Pacific	Yes	Yes
DeSoto	-	-		Perryville	Yes	Yes
Dexter	-	-		Pocahontas-New Wells	Yes	-
Eldon	-	Yes		Pond	Yes	Yes
Eureka	Yes	Yes		Poplar Bluff	-	Yes
Excelsior Springs	-	-		Portage Des Sioux	-	-
Farley	-	-		Richmond	-	-
Farmington	Yes	Yes		Scott City	-	Yes
Fenton	Yes	Yes		Sedalia	-	Yes
Festus - Crystal City	-	Yes		Sikeston	-	Yes
Flat River	-	Yes		Smithville	Yes	Yes
Fredericktown	Yes	Yes		Springfield	Yes	Yes
Fulton	-	Yes		St. Charles	Yes	Yes
Grain Valley	-	Yes		St. Clair	-	-
Gravois Mill	-	Yes		St. Joseph	Yes	Yes
Gray Summit	-	-		St. Louis	Yes	Yes
Greenwood	-	Yes		Ste. Genevieve	Yes	Yes
Hannibal	-	-		Union	-	-
Harvester	Yes	Yes		Valley Park	Yes	Yes
Herculaneum-Pevely	-	Yes		Walnut Grove	-	-
High Ridge	-	Yes		Ware	-	-
Hillsboro	-	-		Washington	Yes	Yes
Imperial	-	Yes		Webb City	-	-
Jackson	-	Yes		Wyatt	Yes	-
Joplin	-	Yes				

SBC's 30-day petition (Case No. TO-2006-0093): On August 30, 2005, SBC filed a petition seeking competitive classification for residential services in 28 exchanges and for business services in 51 exchanges under the 30-day track. SBC later increased the request to 29 residential exchanges and 61 business exchanges. The Commission granted competitive status to 26 of the 29 exchanges for residential services and 45 of the 61 exchanges for business services. The Commission determined SBC's additional requests for competitive status left no time for proper notice to be issued to all interested entities. Consequently, these additional requests were moved to Case No. TO-2006-0102, SBC's 60-day petition. In this proceeding only a couple of exchanges were disputed. For business services in Bonne Terre and Marble Hill, the Commission found that Big River Telecommunications was in the process of migrating customers from UNE-P to UNE-L, thus qualifying as the second competitor for those exchanges to be deemed competitive for business services. The Commission found that SBC's request for Excelsior Springs was not supported because of a discrepancy as to whether customers have a physical location in Excelsior Springs. For residential services in Farmington, the Commission found that Big River Telecommunications was in the process of migrating customers from UNE-P to UNE-L, thus qualifying as the second competitor for those exchanges to be deemed competitive for residential services. The Commission found that SBC's requests for San Antonio and Sikeston were not supported because SBC did not provide sufficient evidence supporting the presence of a second qualifying competitor.

SBC's 60-day petition (Case No. TO-2006-0102): On August 30, 2005, SBC filed a petition seeking competitive classification for business services in 26 exchanges and for residential services in 49 exchanges under the 60-day track. With the addition of the exchanges transferred from the 30-day proceeding in Case No. TO-2006-0093, SBC's request was raised to 30 exchanges for business services and 51 exchanges for residential services. During the week of October 3, the commission conducted local public hearings in Carthage, Union, Excelsior Springs, Kennett, Marshall, Hannibal, Kirksville, Mexico and Moberly, Missouri to allow an opportunity for the public to offer comments to the Commission. The Commission conducted an evidentiary hearing on October 12 and 13. The Commission concluded that the evidence presented by SBC satisfied the 60-day criteria and showed that at least one non-affiliated CLEC was providing "local voice" service in whole or in part over facilities in which it or one of its affiliates has an ownership interest; at least one non-affiliated wireless carrier was providing basic local telecommunications service within the meaning of Section 392.245.5(1); and in the majority of exchanges, there is at least one provider offering business and/or residential VoIP service using an unaffiliated cable television company's broadband network.

SBC's effective competition case (Case No. TO-2005-0035): On July 30, 2004, SBC filed a motion asking the Commission to open a case to investigate the state of competition in the company's exchanges pursuant to Section 392.245.5. This case was the second case investigating the status of competition in SBC's territory with the first case being Case No. TO-2001-467. A hearing was ultimately held on January 31, 2005 through February 7, 2005. On June 14, 2005 the Commission issued an Order of Abeyance citing it in the public interest

to postpone making a decision until after August 28, 2005. SB 237 passed during the 2005 legislative session and became effective on August, 28, 2005. On December 6, 2005, the Commission closed the case without making a decision.

Spectra’s 30-day petition (Case No. IO-2006-0108): On September 9, 2005, Spectra filed its request for competitive classification for its residential services in Ewing, LaBelle, Lewistown, Macon and Savannah and for its business services in Ewing, LaBelle, Lewistown and Macon. The Commission granted Spectra’s request because the evidence showed that for each of the residential and business exchanges there is at least one non-affiliated entity providing “local voice” service in whole or in part over facilities in which it or one of its affiliates has an ownership interest and at least one non-affiliated wireless carrier providing basic local telecommunications service.

CenturyTel’s 30-day petition (Case No. IO-2006-0109): On September 9, 2005, CenturyTel filed its request for competitive classification for its residential services in Bourbon, Branson, Columbia, Dardenne, O’Fallon, St. Peters and Wentzville exchanges and for its business services in Bourbon, Columbia, Cuba, Dardenne, O’Fallon, St. James, St. Peters and Wentzville exchanges. CenturyTel withdrew its requests for competitive status for residential services in Bourbon, Branson and Columbia and for business services in Dardenne. The Commission found that undisputed evidence established there is at least one non-affiliated entity providing “local voice” service in whole or in part over facilities in which it or one of its affiliates has an ownership interest and at least one non-affiliated wireless carrier providing basic local telecommunications service for the residential exchanges of Dardenne, O’Fallon, St. Peters and Wentzville and for the business exchanges of Columbia, Cuba, O’Fallon, St. James, St. Peters and Wentzville.

The parties had a dispute over the Bourbon exchange. CenturyTel and Staff state that Fidelity is providing business services in Bourbon. Fidelity stated that it serves two customers over a fiber loop owned by an unaffiliated broadband provider, using a switch owned by one of its affiliates, and to serve additional customers, Fidelity would either have to build its own facilities in Bourbon or lease facilities from either CenturyTel or another provider. The Commission found the evidence establishes Fidelity is providing business services in Bourbon and that there is at least one non-affiliated wireless carrier providing basic local telecommunications service within the meaning of Section 392.245.5(1) so the Commission classified CenturyTel’s business services in Bourbon as competitive.

Section V. Federal Telecom Activity

In 2005, Staff began working with Birch, Horton, Bittner and Cherot as an additional means to monitor federal telecommunications activity. Birch Horton provides daily summaries of various telecommunications issues, including federal universal service, intercarrier compensation, federal relay, access reform, VoIP activities and federal legislative summaries. In addition to the daily summaries of items of interest, Birch Horton provides a monthly report to the Commission on relevant federal activity. Copies of the monthly reports can be viewed under the Utility Operations, Telecommunications section of the Intranet site.

Intercarrier Compensation

Having concluded that there is an urgent need to reform the existing intercarrier compensation (ICC) rules, the FCC asked what method of reform best serves the FCC's goals of economic efficiency and investment, development of competition, preservation of universal service, and competitive and technology neutrality. The Missouri Commission filed comments in this proceeding. The majority of the Commission supported a unified intercarrier compensation regime that is based on forward-looking economic costs. The Commission stated the compensation mechanism should be the same for all traffic, whether interstate or intrastate in nature, and should be technologically and competitively neutral. The majority of the MoPSC generally supported the NARUC proposal because it represents a strong effort at reaching consensus among the industry and includes key components of several proposals put forth to the FCC. The NARUC proposal recommends the FCC establish the framework for states to apply to intrastate traffic. Since there are instances where current interstate and intrastate access rates are greatly disparate, the majority of the Commission recommended the FCC explore whether it is reasonable for state commissions to maintain the ability to review individual carrier circumstances and establish additional transition or compensation mechanisms as necessary to minimize rate shock to consumers in rural, high cost areas without compromising the ultimate goal of creating a sustainable unified rate. The majority of the Commission supported a move to terminating compensation with loss of revenue recovered through a new USF funding mechanism, increases in the subscriber line charge for non-rural areas and increases in basic local rates toward an established benchmark rate for local service.

Truth-in billing

The FCC sought comment on the role of states in regulating billing and sought comment on such things as billing of government mandated and non-mandated charges, combining federal regulatory charges in line items and point of sale disclosure requirements. The Missouri Commission filed comments stating that the most important objective of any modifications to the truth-in-billing rules is to provide customers with sufficient and viable information so that they can make informed decisions when comparing telecommunications services. The majority of the Commission suggested the FCC define "mandated" charges as those charges a carrier is required to collect directly from customers and remit to federal, state or local governments. The majority further recommended "non-mandated" charges be defined as those charges that are authorized by law but not mandated. Finally, the majority stated that additional surcharges, designed to recover the carriers cost of doing business should be prominently displayed and clearly indicate that such charges are not authorized or mandated by any governmental entity. The Commission also stated that carriers should be required to provide clear, full and meaningful disclosure of discretionary charges prior to the date service is initiated.

Universal Service Fund

In August 2005, the FCC sought comment on four proposals to modify high cost universal service support. The MoPSC filed comments where the majority supported the following concepts:

- Block grants-promotes cooperative federalism where the FCC establishes support guidelines to be implemented by states.
- A forward-looking cost methodology.
- National or statewide averaged costs and revenues to more directly target support to high cost areas.
- A benchmark rate that must be achieved before receiving USF support.
- A cap that limits the support per line to a percentage of any additional costs above the benchmark.
- A freeze on support during any transition period.
- A plan that combines all study areas of a single company within a state to one study area.
- A plan that targets support to rural areas instead of rural companies.

The FCC issued a notice of proposed rulemaking seeking comment on the overall management, administration and oversight of universal service fund. The MoPSC filed comments on the high cost portion of the fund suggesting the FCC needs to modify its procedures and rules to prevent fraud, abuse and waste. The comments cited examples from the Cass County indictments and guilty pleas of misuse of USF and the Alma financing case as examples of areas of the USF rules that may need to be modified.

E-911

In June 2005, the FCC issued an order requiring VoIP providers that allow customers to receive calls originating from or terminating to the public switched telephone network (PSTN) to provide E911 by end of November 28, 2005. On November 7, 2005, the FCC issued a notice stating that providers that will not achieve the November 28 deadline cannot accept new customers. A federal appeals court ruled that Internet telephone companies must comply with the FCC order barring new phone service unless the firms also can offer technology to pinpoint the locations of callers who dial 911.

Section VI. Expanded Calling Petitions

Expanded Calling Rulemaking: In Case No. TX-2005-0194, the Commission approved a rulemaking establishing filing requirements for applications for expanded local calling area plans within a community of interest. The proposed rule, 4 CSR 240-2.061, was published in the Code of State Regulations on October 1, 2005, and became effective on October 30, 2005. This case was closed on November 3, 2005.

Rockaway Beach (Case No. TO-2003-0257): Citizens from the Rockaway Beach area filed a petition on January 29, 2003, for expanded calling to and from Branson. As a result of the petition, meetings and conference calls were conducted between CenturyTel, the Office of Public Counsel (OPC), the Commission's Staff, and representatives of the immediate Branson area. On behalf of a number of community leaders and interested parties, on February 24, 2005, the OPC submitted a modified request for expanded calling that included toll-free calling among the communities of Rockaway Beach, Forsythe, Kimberling City, and Reeds Spring for a monthly fee of \$3.00. On August 1, 2005, the OPC and CenturyTel

submitted a non-unanimous Stipulation and Agreement that called for using a portion of CenturyTel's annual price cap adjustment as a revenue neutrality mechanism to offset the cost of implementing the expanded calling plan. On August 11 the Commission conducted an On-The-Record Presentation to determine if the funding mechanism is consistent with Missouri law. On August 22 the Commission conducted an evidentiary hearing focusing on the funding mechanism contemplated by the Stipulation and Agreement. On August 24, CenturyTel and the OPC rescinded their Stipulation and Agreement. On January 17, 2006, the OPC submitted a Status Report indicating that it was in continued discussions with residents who signed the original petition. The OPC also requested the Commission schedule a public hearing in Rockaway Beach "so that this case can be resolved in some manner." On February 9, 2006, the OPC submitted a pleading explaining that it will be attending CenturyTel's "Rockaway Beach Area Customer Appreciation Event" on February 16, 2006 to publicize a new long distance calling plan offered by CenturyTel. The OPC expressed that the long distance plan may address many, if not all, of the issues associated with the original petition. The OPC asked that it be allowed to file another Status Report, advising of procedural recommendations, within 60 days.

Greenwood (Case No. TO-2005-0144): The Commission considered a petition filed by citizens in the Greenwood exchange to reclassify Greenwood from the Kansas City Tier 3 MCA to MCA Tier 2. The case was initiated on November 22, 2004. Pursuant to the Commission's rules, on April 29, 2005, the OPC filed its Final Recommendation in which it recommended the Commission amend the Kansas City MCA to make Greenwood a mandatory Tier 2 exchange under the same terms and conditions as apply to all other Tier 2 exchanges. On January 10, 2006, the Commission approved a Stipulation filed by the OPC, AT&T Missouri and Staff under which Greenwood will remain a Tier 3 exchange; however, MCA service is to be mandatory for all Greenwood customers. Under the stipulation, the residential rate will essentially be \$15.00 (\$8.79 for local service and \$6.21 for mandatory EAS) resulting in a savings of \$6.14 for existing Greenwood MCA subscribers. Single-line business Greenwood customers will essentially have a rate of \$33.30 (\$22.30 for local service and \$11.00 for mandatory EAS) resulting in a savings of \$13.80 for existing Greenwood MCA business subscribers. As part of their local calling scope, all Greenwood exchange customers are to have expanded local calling to all customers in all Kansas City MCA Tier 3 exchanges.

The Commission's January 10, 2006 Order instructed AT&T to file a pleading explaining the earliest projected date of implementation. Further, the Commission instructed that until January 1, 2010, AT&T shall file notice into Case No. TO-2005-0144 if it increases the rates for the Greenwood exchange. On February 10, 2006, AT&T submitted tariff sheets projecting an August 22, 2006 implementation date for the Greenwood exchange.

Lexington (Case No. TO-2005-0142): On August 24, 2005, the OPC voluntarily dismissed its request to expand Tier 5 of the Kansas City MCA to include the exchange of Lexington. In filing its dismissal, the OPC stated that the Lexington Economic Development Counsel had advised the OPC that there was a lack of community support for the original proposal, which was first requested in April 2001. As with the Greenwood, Ozark, and Wright City petitions, this case was initiated at the conclusion of Case No. TO-2001-391.

Ozark (Case No. TO-2005-0143): Residents of the Ozark exchange have requested reclassification from Springfield MCA Tier 2 to MCA Tier 1. This case was initiated on November 22, 2004, when the OPC filed a request for the MCA Tier modification. A conference among the parties was conducted on April 19, 2005, in which the regulatory law judge directed the OPC to submit a final proposal for the Commission's consideration. After having been granted five extensions of time, the OPC filed its Final Recommendation on January 17, 2006, in which it requested the Commission make Ozark a mandatory Springfield MCA Tier 1 exchange, with prices the same as other Tier 1 exchanges. On January 30, 2006, CenturyTel and AT&T filed responses in opposition to the OPC's Final Recommendation. Both CenturyTel and AT&T oppose the OPC's recommendation, claiming that it would be unlawful for the Commission to modify or alter the existing MCA Plan. This case remains on-going.

St. Louis MCA Expansion (Case No. TO-2005-0141 & TO-2003-0298): On November 22, 2004, the OPC filed a request for the Commission to order expansion of the St. Louis MCA to include the exchanges of Washington, Union, Wright City, St. Clair, Marthasville, Beaufort, Foley and Warrenton as an optional MCA Tier 6. The OPC's submittal initiated Case No. TO-2005-0141, which became consolidated with Case No. TO-2003-0298. On December 2, 2005, a Stipulation and Agreement was filed by OPC, SBC and Staff proposing to make the SBC exchanges of Beaufort, St. Clair, Union and Washington Tier 5 exchanges of the St. Louis MCA. Public hearings were held in Washington on January 12, 2006, and Innsbrook on January 18, 2006. This case is on-going.

Expanded Local Calling Plans in Rural Areas (Case No. TO-2003-0297): On February 25, 2003, OPC filed a motion requesting the Commission "provide for expanded local calling plans in the rural areas of Missouri". On March 10, 2005, the Commission closed the case, citing the Task Force case, Case No. TW-2004-0471 and the subsequent rulemaking case, Case No. TX-2005-0194. In closing the case the Commission stated its belief that the expanded calling rule will address the concerns raised by OPC.

Northeast Missouri Rural Telephone Company: While not a petition for expanded calling, Tariff File No. JI-2005-1119 was approved by the Commission on August 1, 2005, which provided for expanded toll-free calling among all exchanges of Northeast Missouri Rural Telephone Company. Concurrent with the expanded calling, Northeast increased prices for basic local telephone access line service to \$10.00 per month for residential customers and \$15.00 per month for business customers. Northeast is a telephone cooperative comprising 13 telephone exchanges and serving approximately 8,803 access lines in northeast Missouri.

Section VII. Price Cap Elections

In Case No. IO-2002-1083, the Commission denied Alltel's Petition for Rehearing in its original petition for price cap regulation. In Case No. IO-2006-0112, and pursuant to recently enacted SB 237, Alltel again filed for price cap status by submitting a notification stating its intent to be price cap regulated. On September 23, the Staff submitted a recommendation in support of Alltel's petition. Staff based its affirmative recommendation

on the presence of United States Cellular and Cingular as wireless providers serving the Doniphan exchange in Ripley County. As noted by the Staff, customers of these two wireless carriers may be reached via a locally-dialed telephone number in the Doniphan exchange area. On October 4, the Commission issued an Order acknowledging Alltel's election to be price cap regulated under Section 392.245, effective October 14, 2005.

Section VIII. Price Cap Rate Changes

Sprint (JI-2005-0426 for PSC Mo. No. 22, General Exchange Tariff and JI-2005-0427 for PSC Mo. No. 26, Access Services Tariff): Sprint reduced its basic local exchange services rates by an amount equal to the percentage change in the telephone services component of the Consumer Price Index (CPI-TS), or 2.68 %. Sprint adjusted rates associated with a contested part of a previous, 2002, price cap filing where the OPC appealed (in part) the method used in that price cap filing. In 2002, the CPI-TS allowed for an increase in basic services and Sprint increased five components of basic services, within the CPI-TS, in lieu of increasing local rates for business and residential customers. With this filing, Sprint is adjusting and reducing the five components to the pre-2002 rate levels and adjusting ninety-three non-basic rates. Seventy-four of the proposed non-basic rate increases were greater than 3.0%.

Spectra (JI-2006-0081, JI-2006-0082 and JI-2006-0083): On August 1, 2005, Spectra submitted tariff revisions to change exchange access, basic and non-basic service rates pursuant to Section 392.245 RSMo 2005. Spectra decreased basic service rates for residential and business customers overall by an amount equal to the percentage change in the telephone service component of the Consumer Price Index (CPI-TS) or 2.1021%. Spectra reduced its exchange access services overall by an amount equal to the percentage change in the telephone services component of the Consumer Price Index (CPI-TS) or 2.1021%. Spectra reduced its Carrier Common Line (CCL) and switched access components across each component by the 2.1021%. Pursuant to Section 392.245.11, RSMo. 2005 (effective August 28, 2005), Spectra increased certain non-basic rates by 5% or less as allowed by statute. SB 237, which was signed into law by the governor, changed the amount a price cap ILEC may increase the price of a non-basic telecommunications service from eight percent to five percent.

CenturyTel (JI-2006-0076, JI-2006-0077, JI-2006-0079): On August 1, 2005, CenturyTel submitted tariff revisions to change exchange access, basic and non-basic service rates pursuant to Section 392.245 RSMo 2005. The Commission Staff filed a Motion To Suspend Tariff Filing (only JI-2006-0076) on August 10, 2005, initiating Case No. TT-2006-0077. Staff contended in Case No. TT-2006-0077 that the Stipulation and Agreement in Case No. TO-2003-0257 (In the Matter of the Request from the Customers in the Rockaway Beach Exchange for an Expanded Calling Scope to Make Toll-Free Calls to Branson) by CenturyTel and OPC proposed an unlawful solution to the expanded calling scope petition by proposing to use the annual price cap adjustment in a manner that is inconsistent with Section 392.245. On August 24, 2005, CenturyTel and OPC filed their Notice of Rescission of Stipulation and Agreement in Case No. TO-2003-0257, rescinding their Stipulation and Agreement. On August 24, 2005, CenturyTel filed revised tariff sheets in Case No. TT-

2006-0077 (tariff filing JI-2006-0076) changing basic local rates by the full impact of the CPI-TS adjustment or -2.1021%. Pursuant to Section 392.245.4(1)(a), RSMo 2005, CenturyTel reduced its exchange access services overall by an amount equal to the percentage change in the telephone services component of the Consumer Price Index (CPI-TS), or by 2.1021%. CenturyTel reduced its Carrier Common Line (CCL) and switched access components across each component by the 2.1021%. On August 25, 2005, CenturyTel extended the effective date of all tariff filings from September 1, 2005, to October 1, 2005.

SBC (JI-2006-0278, JI-2006-0280, JI-2006-0281 and JI-2006-0282): On October 17, 2005, SBC submitted tariff revisions to change exchange access and basic service rates pursuant to Section 392.245 RSMo. Effective December 1, 2005, SBC decreased basic service rates for residential and business customers and decreased switched access rates overall by an amount equal to the percentage change in the telephone services component of the Consumer Price Index (CPI-TS) or 1.95%. More specifically, on August 30, 2005, SBC filed a petition for competitive classification pursuant to Section 392.245.5 RSMo (2005). The Report and Orders in Case No. TO-2006-0093 and Case No. TO-2006-0102 established competitive classification for services in seventy-seven residential exchanges and seventy-five business exchanges. SBC reduced both competitive and non-competitive basic local residential rates and local business rates in Rate Group A (small exchanges from 1 – 4,999 access lines) by 1.95%. All exchanges in Rate Groups B, C and D are classified as competitive for both residential and business services except for the one exchange of Knob Noster in Rate Group B. The basic local residential rates and business rates for the exchange of Knob Noster was also reduced by the CPI-TS adjustment of 1.95%. The basic rates for residential and business services in all competitive exchanges in Rate Groups B, C and D were not changed. SBC reduced its intrastate switched access components overall by 1.95%. SBC reduced Carrier Common Line (CCL) and switched access components across each component by the 1.95%.

Section IX. Formal Complaints

CLEC Coalition vs. SBC (Case No. TC-2005-0294): CLECs filed a complaint asking the Commission to determine which access lines would be eligible for UNE-P during the transition period the FCC established in its Triennial Review Remand Order. On March 10, 2005, the Commission ordered “That Southwestern Bell Telephone, L.P. dba SBC Missouri, until March 18, 2005, or until otherwise ordered by this Commission, shall continue accepting and processing new orders, moves, adds, and changes to the Coalition members’ existing embedded customer base, under the rates, terms and conditions of their respective M2A or M2A-derived Agreements.” There was an Oral Argument before the Commission. The case was subsequently dismissed after the parties agreed to abide by the Commission’s Order.

Eminent Network Technologies, Inc. vs. CenturyTel (TC-2005-0356): On April 7, Eminent Network Technologies, an Internet Service Provider with principal offices in Branson, filed a complaint against CenturyTel alleging erroneous billing and refusal by CenturyTel to fill service orders, and asking the Commission to order CenturyTel to not

interrupt the service provided to Eminent. The Complainant also requested an investigation by the Staff into the issues in dispute and a determination by the Commission as to the amounts due. Staff conducted meetings and discussions with the Parties, and on June 17 Eminent announced a Settlement Agreement had been entered into and filed a Notice of Voluntary Dismissal of the Case. The Commission closed this case on October 13, 2005.

FullTel vs. CenturyTel (Case No. TC-2006-0068): On August 8, Case No. TC-2006-0068 was established pursuant to a complaint over terms of interconnection between FullTel and CenturyTel. The basis of FullTel's complaint centered around an allegation by FullTel that CenturyTel delayed interconnection by denying FullTel collocation and a single point of interconnection in the 520 LATA. Pursuant to Commission order, the Staff filed a report on September 13 and met with the parties in a prehearing discussion on September 16. On November 23 the Commission issued an Order in which the Commission defined Local Traffic, and directed CenturyTel and FullTel to file a joint pleading indicating whether FullTel will provide "local service." CenturyTel and FullTel filed responses on December 7. On December 27, the Commission set this case for hearing with a March 10, 2006 hearing date.

Shurin vs. Xspedius (Case No. TC-2005-0266): On February 7, Shaffer Lombardo Shurin, a law firm located in Kansas City, filed a formal complaint against Xspedius. According to Shaffer Lombardo Shurin, Xspedius was formally known as "e.spire". "e.spire" was a competitive local exchange carrier doing business in Missouri under an unregistered fictitious name. In its complaint, Shaffer Lombardo Shurin alleged that it had been double-billed for telephone service. Shaffer Lombardo Shurin requested relief from the Commission in the amount of \$19,710.27. On March 10, Xspedius responded to the complaint by denying any liability to Complainant for the alleged overbilling, which occurred prior to Xspedius' asset acquisition of the bankrupt "e.spire." Moreover, Xspedius alleged numerous failures of Shaffer Lombardo Shurin to comply with Commission rules in filing its complaint. On April 26, the Consumer Services Staff filed a Staff Investigation in which it concluded that no statute, rule, or tariff had been violated. The General Counsel's Office also submitted relevant legal analysis addressing the transfer of assets between "e.spire" entities and Xspedius. The Staff ultimately recommended that the Commission is without jurisdiction to grant the relief requested by Shaffer Lombardo Shurin. On June 2, the Commission dismissed the complaint and closed the case.

MCI/Brooks/Intermedia vs. CenturyTel on VNXX Issues (Case No. LC-2005-0080): On September 30, 2004 MCI, filed a complaint over provisions of its interconnection agreement with CenturyTel. In particular, MCI alleged that CenturyTel refused to provision certain trunking and NXX arrangements in the Columbia exchange. MCI stated that it wished to serve Columbia through its switch located in St. Louis. On June 24, 2005, MCI and CenturyTel filed a joint Motion to Dismiss and on June 27, the Commission acknowledged the dismissal and closed the case. Ultimately, the Parties filed a new interconnection agreement in Case No. LO-2005-0383.

Fidelity Telephone Company, Fidelity Communications Services I & II, Grand River Mutual Telephone Company, BPS Telephone Company, and Lathrop Telephone Company vs. Allegiance Telecom and its successor, XO Communications Services (Case No. TC-2005-0229): On January 11, 2005, the above named telephone companies filed a complaint against XO in which the complainants alleged that XO had failed or refused to pay an amount of \$32,619.75 for interexchange traffic terminated to complainants for the period ending January 1, 2005. Complainants requested the Commission order XO to pay all past due amounts, including interest, late fees, and attorneys' fees where appropriate. Alternatively, complainants asked the Commission to approve blocking of XO's traffic, and any other relief as the Commission may find reasonable. On February 25, complainants filed a voluntarily Notice of Dismissal and on February 25, the Commission acknowledged notice of the dismissal and closed the case.

Fidelity Telephone Company, Fidelity Communications Services I & II, Grand River Mutual Telephone Company, BPS Telephone Company, and Lathrop Telephone Company vs. Trinsic Communications f/k/a Z-Tel Communications, Inc. (Case No. TC-2005-0228): Similar to Case No. TC-2005-0229 described above, this case involved allegations of failure to pay terminating exchange access charges in the amount of \$46,800.55. On February 22, the complainants filed a voluntary Notice of Dismissal and on February 25, the Commission acknowledged the dismissal and issued an order closing case.

BPS Telephone Company *et. al.* versus Voicestream Wireless, Western Wireless and Southwestern Bell Telephone Company (TC-2002-1077): On January 27, 2005, the Commission issued a Report and Order addressing 13 major indirect interconnection issues between a group of small incumbent local exchange carriers and various wireless providers, as well as Southwestern Bell Telephone Company. Among other matters, the case involved contested interMTA factors for mobile to wireline traffic transited by Southwestern Bell from wireless carriers to the networks of small incumbent local exchange carriers. This case was closed on February 7, 2005.

Staff's Report on Impact of the Allegations of Criminal Activities by Ken Matzdorff on Missouri Consumers (Case No. TO-2005-0237): The first Staff Report on the impact of the allegations of criminal activities by Ken Matzdorff on Missouri consumers was filed in January 2005, while a subsequent Staff Report was filed on August 26, 2005. These reports were the result of a July 29, 2004 Commission directive for Staff to investigate the issues surrounding the allegations made in a federal indictment and affidavit supporting the arrest warrant issued against Mr. Matzdorff. The allegations center on organized crime involvement by some of the owners of Cass County Telephone Company and New Florence Telephone Company. In January 2005, Mr. Matzdorff pled guilty to federal charges of conspiracy to commit mail fraud and money laundering based on telephone cramming and internet-activity based fraud. In addition, Mr. Matzdorff pled guilty to a federal charge of conspiracy to defraud the federal Universal Service Fund. Staff's Reports conclude the owners of Cass County Telephone Company and New Florence Telephone Company improperly and fraudulently inflated expenses on the books and records of the companies in order to obtain greater levels of universal support payments. Staff also concluded that customer rates for both companies are likely to be in excess based on the companies' actions

to camouflage the company's true earnings by overstating expenses and inflating valuations of plant in service. The Commission previously took action in the Fall of 2004 and the Fall of 2005 to not certify both companies for the receipt of federal USF support. Staff recommended the Commission not certify either company until they have adequately demonstrated possessing adequate internal controls including changes in current ownership and management. In addition, Staff recommended an earnings review be conducted on both companies.

During this process the Telecommunications Department Staff performed reviews of rule compliance and physical plant of Cass County Telephone Company and New Florence Telephone Company. Larry Henderson and Mick Johnson took an in-depth review of each company's compliance with the Commission's rules of Chapter 3, Chapter 18, Chapter 32 and Chapter 33. In addition, a five step process was used to verify the operational reliability, safety and quality of service provided the consumers of these companies.

On July 15, 2005, the Commission closed and dismissed this case citing the filing of Staff's complaint against Cass County Telephone Company (see Case No. TC-2005-0357, discussed below). The Commission stated there is no requirement that this investigation be conducted within an active docket. Staff has all the necessary statutory authority to investigate and review any matter of concern touching upon the safe and responsible operation of a regulated utility.

Staff vs. Cass County Telephone Company (Case No. TC-2005-0357): On April 8, 2005, Staff filed a formal complaint against Cass County Telephone Company. The complaint centers on Mr. Matzdorff making knowingly false statements before the Commission and the creation of false entries in the company's books and records. A stipulation and agreement was filed to resolve the complaint. As part of the stipulation, Staff agreed to recommend the company receive prospective federal universal service funds as long as the day-to-day management of Cass County is performed by a third party acceptable to Staff for as long as LEC, LLC continues to have a majority ownership of the company. The stipulation states that in order for Cass County to receive certification for past years (e.g. 2005 and 2006 funding years), the company must prepare a plan and Staff must approve the plan for the expenditure of high cost support. The case is currently pending.

Staff vs. New Florence (Case No. TC-2006-0184): On October 25, 2005, the Staff filed a formal complaint against New Florence Telephone Company. The complaint centers on the creation of false entries in the company's books and records. The case is currently pending.

John Doe anonymous complaint (Case No. TO-2005-0260): The Commission ultimately rejected the complaint by a consumer against a telecommunications company on the basis the consumer requested to remain completely anonymous. The Commission concluded a consumer's telephone number can be kept confidential; however, the consumer's name and address should be public. After issuing an Order Denying Rehearing, the Commission closed this case on June 27, 2005.

Ron MacKenzie vs. Sprint (Case No. IC-2004-0608): The complainant believes Sprint should absorb the costs of raising the telephone line in order to allow for proper clearance of his new driveway. Staff made an on-site visit and concluded the cable's height of 10 feet violates the National Electric Safety Code's minimum requirement of 15.5 feet. Staff agreed with Sprint that the customer should be responsible for expenses of raising the cable because the landowner's actions created the height problem. Sprint ultimately agreed to raise the cable at Sprint's expense.

Lula Fabyanic vs. VarTec (Case No. TC-2005-0174): This customer was served by VarTec Telecom Inc. She placed an order to have her phone service moved to a new location in approximately four months. After four months passed and she was ready to move, VarTec informed her that she had provided the wrong address and there would be a delay in providing service. VarTec eventually settled the case by providing a \$500 check to the customer.

Mid Missouri Telephone Company vs. SBC & T-Mobile (Case No. TC-2006-0127): On September 23, 2005, Mid-Missouri Telephone Company filed a complaint against Southwestern Bell Telephone Company and T-Mobile, USA, Inc. for compensation of wireless traffic delivered by SBC and T-Mobile between August 5, 2001 and January 13, 2005. On February 13, 2006, Petitioners submitted a Notice of Settlement and requested suspension of the procedural schedule.

Arnold, Missouri: Approximately 72 constituents of Arnold contacted the Commission on a road construction project. The constituents claimed the local telephone company was causing a delay in the project. The constituents expressed concern regarding high volumes of traffic being routed thru a normally low traffic subdivision. On August 1, Larry Henderson and Mick Johnson met with the Arnold City Administrator, Engineers, Public Works Director and SBC Director of Engineering/Construction and splicing manager. Staff made recommendations for the local telephone company which ultimately helped accelerate the completion of the project and also eased the traffic congestion. Staff also recommended on future projects of this magnitude, regular coordination meetings between the utilities and the city may be helpful.

Section X. Telecommunications Quality of Service

Administrative Operational Review: The primary purpose of this review is to confirm that telephone companies providing basic local service in Missouri are accurately and consistently tabulating quality of service report information as required by Commission rule 4 CSR 240-32.080. In addition, the review provides an opportunity for both the Staff and the involved company to discuss quality of service issues as well as review significant requirements of Chapter 33. On March 29, Larry Henderson, Mick Johnson and John Van Eschen reviewed Cass County Telephone Company. On May 24, Larry Henderson reviewed New Florence Telephone Company. On August 23 Larry Henderson and Mick Johnson reviewed Chariton Valley. Feedback is provided to each company. Contents of the feedback may require corrective action by the company.

Engineering / Maintenance Operational Review: The primary purpose of this review is to confirm that facility-based telephone companies are designing, constructing and operating in accordance to the prescribed standards in Commission rules 4 CSR 240-32.060 and 4 CSR 240-18.010. These standards establish minimum requirements for voice quality. They also require companies to construct, remove and maintain facilities in a manner that provides a safe environment for their consumers, their employees and the general public. Larry Henderson and Mick Johnson conducted a random review on April 12, 13 and 14 and May 11, 12 and 13 of Cass County Telephone Company's facilities. They also conducted this review on New Florence's facilities on May 16, Sprint's facilities in Richland on May 19, SBC's facilities in Brookfield on July 14, Arnold on August 1, Liberty on November 16, Westphalia on December 22 and Chariton Valley on August 23. Feedback is provided to each company. Contents of the feedback may require corrective action by the company and require the company to submit a plan that will correct deviations found.

Overall Quality of Service Results: The following information is based on the 2005 quarterly quality of service results for all companies:

- 96% of requests for basic local service were installed within 5 days.
- 96% of commitments to install service by a certain date were met.
- Consumers reach an operator after dialing "0" within 12 seconds.
- 99 percent of all calls being attempted are completed without a problem.
- On any average day approximately 2% of consumers experience a service problem.
- 66% of trouble reports pertain to an out-of-service condition.
- 86% of out-of-service conditions are restored within 24 hours.
- 90% of commitments to address a trouble report were met.

A natural disaster did not physically occur in the state of Missouri in 2005; however, many telecommunications companies operating in Missouri loaned work forces to other areas within the country to help restore service disruptions caused by a natural disaster.

Bonding and Grounding: The Missouri Public Service Commission's Chapter 18 and Chapter 32, along with the National Electric Code (NEC), National Electric Safety Code (NESC) and Rural Utility Service (RUS) standards, are in place to protect the public from possible personnel injury or property loss. There are basic concepts, guidelines and rules required to effectively protect from hazardous lightning, power fault voltage and current that may come in contact with the telephone facilities. Staff, while conducting Operational reviews in 2005, found that some companies may not be adhering to those guidelines. Staff has been working with the Missouri Telecommunications Industry Association (MTIA) to

address bonding and grounding issues. Currently a two-day bonding and grounding seminar is scheduled for March 22 and 23, 2006 in Columbia.

Section XI. Rulemakings

New Rulemakings Becoming Effective in 2005:

Enhanced Records Exchange Rules (Case No. TX-2003-0301): As reported in the 2004 Year-in-Review, these rules establish procedures for exchanging traffic and intercompany billing records for traffic traversing the LEC-to-LEC network (a/k/a The Feature Group “C” Network). After the Notices of Proposed Rulemaking were published in the Missouri Register, comments on the proposed rules were received and a public hearing was held. On May 5, the Commission authorized submittal of the proposed rules to the Missouri Secretary of State, and the rules were published in the *Code of State Regulations* on July 1, 2005. The rules became effective on July 31, 2005. On August 4, the Commission opened Case No. TE-2006-0053 to address a request for waiver by SBC of rule 4 CSR 240-29.040(4). The rulemaking affects Chapter 29 of the Commission’s rules.

Interconnection Agreement Rule (Case No. TX-2003-0565): This rule establishes procedures for reviewing and/or approving interconnection agreements, amendments, interconnection agreement adoptions and Statements of Generally Available Terms. The rulemaking affects the following Commission rule: 4 CSR 240-3.513.

The Establishment of Monthly Charges and Taxes on Residential and Business Customer Bills (TX-2005-0258): This rulemaking requires clear identification and placement of separately identified charges on customer bills, requires clear, full and meaningful disclosure of all monthly charges and usage sensitive rates applicable to services a customer orders or is considering ordering and states that a party cannot misrepresent a charge as governmentally mandated or allowed by disguising the charge or giving it a name or label that implies the charge is a governmentally mandated or allowed charge. The rulemaking affects the following Commission rule: 4 CSR 240-33.045

Applications for Expanded Local Calling Area Plans Within a Community of Interest (Case No. TX-2005-0194): This rulemaking implements a process for subscribers or governing bodies of a municipality or school district to submit applications for expanded local calling area plans within an identified community of interest as recommended in the MCA Task Force Report in Case No. TW-2004-0471. The rulemaking affects the following Commission rule: 4 CSR 240-2.061.

Missouri Universal Service Fund (TX-2005-0437 and TX-2005-0460): The FCC established additional guidelines for the federal Lifeline program and directed states with low income funds to incorporate these guidelines in state rules by June 2005. Through an emergency rulemaking and a permanent rulemaking, the Commission expanded the definition for qualifying as a low income customer to include the National School Lunch Program’s free lunch program and Temporary Assistance for Needy Families. The low income definition and the disabled definition were also expanded to include dependents of a

customer residing in the customer's household as means to qualify for low income or disabled assistance. The rules were also amended to include reporting and verification requirements established by the FCC.

Proposed/Pending Telecommunications Rulemakings:

Eligible Telecommunications Carrier Rule (TX-2006-0169): The proposed rulemaking establishes criteria for requests by carriers to be designated as an eligible telecommunications carrier authorized to receive federal universal service funds. The rule also establishes criteria for carriers that receive designation as eligible telecommunications carriers to provide the Commission with information and documentation for annual certification so the carriers receive USF funds. A public hearing was held in January 2006.

Section XII. Telephone Numbers

In March 2005, the Commission filed a petition with the FCC seeking delegated authority to implement mandatory thousands block number pooling in the 417, 573, 636 and 660 NPAs for the State of Missouri. The FCC received comments from the Ohio Commission supporting the Commission's request. The petition is pending.

Number Conservation Efforts/Exhaust Dates:

In past years, the Missouri Public Service Commission reviewed recommendations for area code relief and implemented a split or an overlay. The Commission reviewed and implemented methods to conserve telephone numbers through various number conservation efforts, including Rate Center Consolidation, Number Pooling, Reclamation, and Sequential Number Assignment to extend area code relief. Rate Center Consolidation was implemented in the 314 NPA, which reduced 14 rate centers to 7 rate centers. Mandatory or optional Number Pooling was implemented in the 314, 816, 573, 660, 636, and 417 area codes. Through the use of Number Pooling, telephone companies receive telephone numbers in blocks of 1,000 instead of blocks of 10,000. The Telecommunications Department Staff continues to investigate code usage, reclaim unused telephone numbers, and implement number conservation. Through the MoPSC's conservation efforts, the lives of the area codes have been extended as follows:

Area Code	Estimated Exhaust Date
314	2Q 2013
417	2Q 2009
573	1Q 2010
636	2Q 2023
660	1Q 2015
816	1Q 2014

Requests to Overturn Decisions by the North American Numbering Plan Administrator:

CenturyTel (Case No. IO-2006-0195): CenturyTel submitted an application to the Pooling Administrator for one block of 1,000 telephone numbers in the Wentzville rate center. CenturyTel's request was denied because it did not meet the necessary requirements established by the Federal Communications Commission (FCC). CenturyTel does have unused telephone numbers available in the Wentzville rate center, but the Metropolitan Calling Area (MCA) requires the use of segregated NXX codes, which requires a minimum of two codes per telephone exchange – one for MCA and one for non-MCA customers.

SBC (Case No. TO-2006-0231): SBC Missouri submitted an application to reverse the Pooling Administrator's denial of three consecutive blocks of 1,000 telephone numbers starting with 4, 5, 6, 7, or 8 to serve the needs of Park Hill School District. Park Hill School District is converting its aged PBX phone system into a single, integrated phone system that will service the entire school district. The Commission overturned the Pooling Administrator's denial of the assignment for three consecutive blocks of 1,000 telephone numbers in the Kansas City rate center.

AT&T Missouri (Case No. TO-2006-0247): AT&T Missouri submitted a request to the Pooling Administrator for nine blocks of 1,000 consecutive DID telephone numbers in the Creve Coeur rate center for General Services Administration to meet compatibility with the Defense Switched Network that provides dialing to other Department of Defense sites worldwide. AT&T was denied the request because the utilization rate did not meet the required 75%.

Charter (Case No. TO-2005-0062): Charter submitted an application to the Pooling Administrator for two blocks of MCA/NXXs¹, one block in the Wentzville and one block in the Pacific rate centers. The requests were denied because there currently are no MCA blocks available in the Wentzville or Pacific rate centers. The Commission overturned the Pooling Administrator's denial of a code of 10,000 telephone numbers in the Wentzville and Pacific rate centers. In an effort to conserve as many telephone numbers as possible, the Commission directed Charter to return 9,000 of the telephone numbers for the Wentzville rate center and 9,000 telephone numbers in the Pacific rate center to the Pooling Administrator. Charter was also instructed to file verification with the Missouri Commission when the company has returned the unused telephone numbers.

Section XIII. Universal Service Funds

State Universal Service Fund

On March 17, 2005, the Commission issued an order authorizing the Missouri Universal Service Fund Administrator to begin assessing telecommunications companies at the USF assessment percentage of .18 percent of the companies' net jurisdictional revenues. This

¹ MCA refers to the Metropolitan Calling Area plan available in certain urban areas in Missouri. NXX refers to the first three digits of a seven-digit telephone number.

assessment appeared as a surcharge on customer bills beginning May 1, 2005, with telecommunications companies making their first payments to the fund beginning June 22, 2005.

There are approximately 53,000 customers enrolled in the low income or disabled programs.

Missouri Universal Service Board

The Missouri Universal Service Board consists of the five commissioners and the Public Counsel of the Office of the Public Counsel. The Board meets periodically to address and review issues related to the Missouri Universal Service Fund. In 2005, the Board met to approve the implementation plan for the low income program, approve an assessment amount of .18 percent and to approve the carriers eligible to receive disbursements from the fund. Meetings also include review of fund financial statements, approval of fund administrator invoices and other issues that may periodically arise. Commission Staff members serve as Board staff members assisting the Board members in preparing for the meetings.

Federal Universal Service Fund

The FCC requires state commissions to certify by October 1 of each year that each eligible telecommunications carrier (ETC) receiving federal high cost support is using the funds as intended by the Telecommunications Act for the provision, maintenance and upgrade of facilities and services for which the support was intended. Pursuant to MoPSC procedures, companies are required to submit to the Telecommunications Department Staff, by October 1 of each year, spreadsheets comparing expenses to USF receipts. The type of spreadsheet and information submitted varies depending on whether a company is a competitive or non-competitive ETC. Companies are also required to submit an affidavit verifying the funds are used only for the purpose intended. Staff reviews this information and makes a recommendation to the Commission as to what companies to certify for the following funding year.

If certification is received at the FCC and the Universal Service Administrative Company by October 1, a company receives certification for the entire funding year. If the October 1 date is missed, but certification is received by January 1, the company receives certification for the second, third and fourth quarters. If October 1 and January 1 are missed, but certification is received by April 1, the company receives certification for the third and fourth quarters and so on. If certification is not received by July 1, the company loses support for an entire year. State commissions can de-certify a company or can file a petition with the FCC asking that a company receive support for quarters missed if good cause exists. As discussed in more detail in other sections of this Report, the Commission has previously declined to certify Cass County Telephone Company and New Florence Telephone Company.

Requests for ETC designation:

Mid-Missouri Cellular (Case No. TO-2005-0325): On November 21, 2005, Mid-Missouri Cellular filed to cancel the evidentiary hearing regarding its request for ETC status that was scheduled to be held November 28-29, 2005. On November 22, 2005, the Commission

granted this request, and Mid-Missouri Cellular was ordered to file a status report with the Commission regarding the status of their ETC request by February 28, 2005, and on the thirtieth day of every third month thereafter.

US Cellular (Case No. TO-2005-0384): On October 26-27, 2005, the Commission held a hearing regarding US Cellular's request for ETC. Briefs were filed December 6, 2005. The case is pending Commission decision.

Chariton Valley Telecom (Case No. TO-2005-0423): On November 18, 2005, Chariton Valley Telecom filed to dismiss their pending request for ETC status. No party objected to this request. On November 21, 2005, the Commission granted this request and closed the case.

Northwest Missouri Cellular (Case No. TO-2005-0466): On October 11, 2005, Northwest Missouri Cellular filed to suspend the procedural schedule in this case due to the illness of their lead witness. On October 12, 2005, the Commission granted an indefinite suspension of the procedural schedule in this case.

Mark Twain Communications Company (Case No. TO-2006-0100): On August 31, 2005, Mark Twain Communications filed an application for a Nunc Pro Tunc Order specifying the service area of Mark Twain and redefining the service area of Spectra Communications for purposes of Mark Twain's ETC designation and the corresponding receipt of federal universal service support. Mark Twain was granted ETC status in June 2000, but the Commission's order did not specify the service area for which the designation was granted. As a result, the Universal Service Administrative Company has refused to make high-cost loop support payments to Mark Twain since 2003. In December 2005, some parties to the case filed a stipulation, while others did not object to the stipulation that was filed.

Section XIV. Interconnection Agreements & Arbitrations

Petition by Small LECs for Arbitration with T-Mobile and Cingular (Case No. TO-2006-0147 through 0151): On October 4, 2005, several small local exchange carriers and several competitive local exchange carriers filed for arbitration with T-Mobile and Cingular as to the appropriate compensation for the termination of wireless-to-wireline and wireline-to-wireless traffic. The Commission determined that the plain meaning of the Telecommunications Act and federal law do not allow CLECs to compel negotiation and arbitration of interconnection agreements with wireless providers so CLECs were dismissed as parties to the arbitration. A hearing will be held in January 2006 with a final Commission decision due March 24, 2006.

Petition by CD Telecommunications for Arbitration of an Interconnection Agreement with CenturyTel and Spectra (Case No. XO-2005-0277 and CO-2005-0281): On February 15, 2005, CD Telecom filed for arbitration with CenturyTel and Spectra. The parties agreed to several extensions and ultimately reached resolution of all issues. The arbitration was terminated and closed in September 2005.

Petition of Chariton Valley for Arbitration with U. S. Cellular (Case No. TO-2005-0374 through 0379): On April 20, 2005, several small LECs filed for arbitration with US Cellular to address compensation for terminating wireless traffic. Petitioners and US Cellular reached agreement and submitted interconnection agreements for Commission approval. The cases were closed October 20, 2005.

TelCove Operations' Petition for Arbitration to Establish an Interconnection Agreement with Southwestern Bell Telephone Company (Case No. TO-2005-0157): On December 6, 2004, TelCove Operations (TelCove) submitted a petition to arbitrate certain unresolved issues with SBC including compensation, unbundled network elements, collocation, and trunking arrangements. On December 14, the Commission directed TelCove, among other matters, to demonstrate compliance with federal law requiring arbitration petitioners to provide a copy of its petition to SBC. On December 22, TelCove admitted that it did not comply with federal statutes, and argued that no harm resulted from its lack of compliance. On December 28, 2004, the Commission issued an Order Dismissing Petition and the case was closed on January 8, 2005.

SBC UNE cost studies (TO-2005-0037): In Case No. TO-2001-438, as part of Southwestern Bell Telephone Company's request for 271 authority, the Commission established the appropriate rates for certain unbundled network elements. The Commission's order was appealed and the issue of the appropriate weighted cost of capital was remanded to the Commission for further consideration. In December 2004, the Commission determined the appropriate weighted cost of capital calculation and directed SBC to rerun its cost studies. In January 2005, SBC filed revised rates in compliance with the Commission's December 2004 order. The revised compliance rates were approved March 10, 2005.

SBC M2A Successor Agreements (TO-2005-0336 et al): The Missouri 271 Agreement (M2A) expired in March 2005. Case No. TO-2005-0336 was established to arbitrate successor agreements between SBC and several CLECs. CLECs were divided into 3 groups – those seeking arbitration, those waiting to adopt one of the arbitrated agreements, and those that were non-responsive. As a result of the arbitration, there are 12 arbitrated agreements and 3 negotiated agreements available for adoption. SBC was ordered to continue to provide service to those CLECs that were non-responsive under a generic agreement that was approved during the arbitration proceeding.

Some highlights of the arbitration decision include:

- It is appropriate for the interconnection agreements to contain 271 elements.
- The Act requires SBC to provision collocation and interconnection outside its ILEC area.
- The Act does not require SBC to resale services outside its area unless SBC engages in retail telecommunications sales outside its area.
- SBC's unbundling obligations are limited to only within SBC's ILEC territory.
- It is against the public interest to require CLECs to deposit the amounts of dispute in escrow before disputing charges.
- It is anti-competitive to restrict CLECs from reselling services purchased from SBC via resale.

- CLECs may interconnect at any technically feasible point on SBC's network.
- A point of interconnection (POI) may be outside SBC's ILEC service area, but must occur at a point within SBC's network.
- A CLEC may designate a single POI per LATA unless SBC establishes a POI location is technically infeasible.
- SBC may require an additional POI in a LATA when it can establish that the CLEC's use of a single POI is no longer technically feasible.
- ISP-bound traffic includes only traffic bound to an ISP located in the same local exchange in which the traffic originated.
- ISP calls, like voice calls that originate and terminate outside the local mandatory calling area remain intraLATA and/or interLATA toll traffic subject to access.

Level 3 / SBC Missouri (Case No. TO-2005-0166): On December 13, 2004, Level 3 Communication, LLC filed its petition for arbitration. The petition asked the Commission to arbitrate 51 issues. Level 3 and SBC reached an agreement to resolve the multiple state arbitration proceedings between the parties. Case No. TK-2005-0285 was opened for the purpose of considering that agreement. In an Order that became effective May 13, 2005, the Commission approved the interconnection agreement filed by SBC Missouri and Level 3. The Order also stated that when SBC Missouri and Level 3 finalize a transiting traffic commercial agreement, they shall file it with this Commission for approval under Section 252(e) of the Telecommunications Act as an amendment to the interconnection agreement.

Small LECs / T-Mobile (Case No. IO-2005-0468, et al): On June 7, 2005, Alma Telephone Company, Northeast Missouri Rural Telephone Company, Mid-Missouri Telephone Company and Chariton Valley Telephone Corporation filed petitions for arbitration with T-Mobile USA, Inc. Issues relate to the exchange of traffic and the appropriate compensation for the exchange of traffic between petitioners and T-Mobile. The Commission found that intraMTA traffic was subject to reciprocal compensation of \$.035 per minute.

Socket Telecom / Sprint (Case No. CO-2005-0039): On August 4, 2004, Socket Telecom initiated this case by filing a Notice of Adoption of Interconnection Agreement, proposing to adopt the interconnection agreement between Sprint and Level 3 Communications. The Commission issued its Order Recognizing Adoption on September 14. On September 23, Sprint requested that the Commission rehear the case because of FCC interim rules that became effective on September 13. Both Socket and the Staff opposed Sprint's motion. The Commission granted rehearing on December 7, 2004, and on September 22, 2005, the Parties filed the agreement for the Commission's approval. On December 12, 2005, the Commission issued an order approving the Agreement and the case was closed on December 15, 2005.

Socket Telecom / CenturyTel (Case No. CO-2005-0066): On September 15, 2004, Socket Telecom filed a pleading in which it requested the Commission confirm that its interconnection agreement with CenturyTel also applied to the 107 telephone exchanges of Spectra Communications. This case evolved into a contested case proceeding and an evidentiary hearing was held on November 12, 2004. On December 24, 2004, the Commission entered its decision in which it determined that it did not have authority to grant

equitable relief to Socket in a manner that implied the existence of an interconnection agreement where none exists in law. As a result, Socket's request to apply the agreement to Spectra was denied.

SBC / Sage Interconnection Agreement with Local Wholesale Complete (Case No. TO-2005-0287): In this case the Commission approved an Interconnection Agreement between SBC and Sage Telecom. In consolidated case numbers TO-2004-0576 and TO-2004-0584, Sage and SBC submitted for approval, an Amendment to their Interconnection Agreement but did not submit what the parties characterized as a "Private Commercial Agreement for Local Wholesale Complete Agreement." Having found that the amendment and the "private agreement" comprise one agreement, the Commission concluded that it is, by definition, against the public interest to approve one part of an interconnection agreement without considering all parts of that agreement. The Commission therefore rejected the amendment. Subsequently, SBC and Sage submitted both the amendment and the "private agreement" to the Commission for approval. On May 5, the Commission approved the amendment.

Motion to open case to Determine the Necessity of Approving Transiting Agreements (Case No. TO-2005-0407): On May 11, Chariton Valley Communications and Chariton Valley Wireless filed a joint motion requesting the Commission determine, among other matters, the necessity of the Commission to approve transiting traffic agreements. On June 7, the Commission denied the Motion and concluded that, in Case Nos. TK-2005-0304 & 0300, two of Chariton Valley's issues had been resolved. The Commission concluded that it would not render an advisory opinion where there is not a case in controversy. This case was closed on June 18.

Determination of Prices, Terms, and Conditions of Line Splitting and Line Sharing (Case No. TO-2001-440): On March 1, 2005, the Commission issued an order granting motion to dismiss and close case. The Commission closed the case given the imminent expiration of the M2A (March 6, 2005), the *de minimis* volumes of the HFPL (high frequency portion of the loop) traffic under the current M2A, and the fact that the bulk of the orders for HFPL were issued under non-M2A agreements.

Level 3 / SBC (Case No. TK-2005-0285): On May 3, 2005, the Commission approved a replacement Interconnection Agreement between Level 3 Communications and SBC. The Staff had recommended the Commission reject the Agreement due to the lack of transiting traffic provisions. The Commission approved the Agreement and ordered SBC and Level 3 to file the transiting provisions of its Agreement with the Commission when such provisions are finalized. SBC and Level 3 have not submitted the transiting provisions to the Commission.

Neutral Tandem / SBC (Case No. TK-2006-0146): On November 29, 2005 the Commission approved the Interconnection Agreement between Neutral Tandem and SBC Missouri. At the Staff's request, Neutral Tandem had supplemented its filing with its transiting traffic provisions of the Agreement. SBC had filed a Motion objecting to Neutral Tandem's submission of the transit traffic provision of the Interconnection Agreement. This case was closed on December 22, 2005.

Chariton Valley / SBC (Case No. TK-2005-0300): On May 19, 2005, the Commission rejected an Interconnection Agreement between Chariton Valley Communications Corporation and SBC. The Commission stated that it would be against the public interest to approve an interconnection agreement when the parties have also entered into a separate transiting agreement that is not before the Commission. The Commission concluded that a transit agreement is an interconnection service that must be filed with the Commission for approval.

Chariton Valley / SBC (Case No. TK-2005-0449): On May 27, 2005, Chariton Valley Communications Corporation submitted a negotiated Interconnection Agreement to the Commission for approval. The Agreement contained Transiting Traffic provisions which had been omitted from the original submittal in Case No. TK-2005-0300. On June 14, SBC filed an objection to Chariton Valley's submittal contending, among other matters, that Chariton Valley had previously agreed not to submit the Agreement to the Commission. SBC also contended that the Commission has no authority to approve such "private commercial agreements." On June 17, the Staff filed its recommendation in which it recommended the Commission approve the Interconnection Agreement. On July 20, the Commission issued an order approving the Agreement and the case was closed on August 9.

Chariton Valley Wireless / SBC (Case No. TK-2005-0304): In a May 19 order, the Commission rejected a partial Interconnection Agreement submitted by Chariton Valley Wireless and SBC. The Commission found the Agreement deficient and against the public interest because it did not include all of the interconnection terms to which the parties had agreed. The Commission concluded that transiting traffic is an interconnection service and is, therefore, subject to the Commission's approval.

SBC's petition to amend 251/252 interconnection agreements (TO-2005-0117):

In October 2004, SBC filed a petition seeking to amend interconnection agreements through the change of law provisions to provide consistency with current federal law resulting from the Triennial Review Remand Order. In January 2005, the Commission dismissed the petition stating that SBC had not pleaded enough facts to allow the Commission to determine that the dispute resolution process procedures contained in the interconnection agreements had been followed. SBC filed a motion for rehearing. The request for rehearing was denied in February 2005 and the case was closed in March 2005.

Section XV. Appeals

This section identifies and summarizes court decisions of any appeals of telecom-related cases. This section also identifies cases currently being appealed pertaining to decisions made by the Missouri Commission on telecommunications matters.

Sprint's Price Cap Rebalancing for 2002 and 2003: In Case Nos. IT-2003-0166 through IT-2003-0170, the Commission approved Sprint Missouri Inc., d/b/a Sprint's tariff filings designed to adjust Sprint's basic rates by the change in the CPI-TS as required by 392.245.4 RSMo. (2000); update Sprint's maximum allowable prices for non-basic services and adjust certain rates as allowed by 392.245.11; and adjusts certain of Sprint's intrastate switched

access rates and rebalance Sprint's basic local rates in accordance with the provisions of Section 392.245.9. The following year, in Case Nos. IT-2004-0134 and IT-2004-0135, the Commission approved Sprint's filing to reduce Sprint's intrastate switched access rates and make a corresponding, revenue-neutral rate increase to basic local rates. Sprint relied upon the provisions of Section 392.245.9 to make these rate changes. In both years, the OPC petitioned for judicial review. The cases were consolidated for hearing at the circuit court level, but remained separate for briefing and decision. In its decision in both Case Nos. 03CV323400 and 04CV323045, the Cole County Circuit Court found that in light of the references by the Commission in its orders in the underlying decisions to Case No. TR-2002-251, the Court lacked sufficiently detailed findings to permit meaningful review under Section 386.510 and reversed and remanded the cases to the Commission for the Commission to make findings of fact and conclusions of law consistent with the requirements to be made in the remand of Case No. TR-2002-251. The Commission's Orders on Remand affirmed the previous Commission orders approving Sprint's 2002 and 2003 tariff filings. OPC petitions for judicial review of these two orders were consolidated for briefing and hearing with its petition for review of the Commission's Order on Remand in Case No. TR-2002-251. See Sprint's Price Cap Rebalancing for 2001.

“Banking” of 8% Rate Increases for Non-basic Services: In Case No. TT-2002-447, the Commission found that Sprint and other price cap companies must “annually use or lose their ability to raise actual rates to the 8% cap increases allowed for in the [price cap] statute,” rather than setting a ‘maximum allowable price’ and charging a rate less than that maximum allowable price to ratepayers in order to bank the increases from year to year. The Commission found that Sprint could not “bank” MCA optional tier increases by creating a dichotomy between the maximum allowable price under the Price Cap Statute and the rate actually charged to customers. The OPC petitioned for judicial review and the Cole County Circuit Court affirmed the Commission's decision. However, the Western District Court of Appeals in Case No. WD63580 reversed the Commission's decision. The Court of Appeals agreed with Sprint, finding that Section 392.245.11 permits actual rates and maximum allowable prices to differ and that the maximum allowable price can increase up to 8% each year even if the price-capped company does not set its rates at that maximum allowable price. The Supreme Court accepted transfer of this case and reversed the Court of Appeals in Case No. SC86584, affirming the Commission. The Supreme Court, in its first decision addressing the Price Cap Statute, found that the language of Section 392.245.11 supported the Commission's decision to disallow Sprint's proposed rate increase, because the statute states that in order to set a new maximum allowable price, a company must set its rates at the proposed new maximum allowable price and that new maximum allowable price must not be more than an eight percent increase over the prior maximum allowable price.

Intrastate Access Recovery charge: In Case Nos. TT-2002-129 (for AT&T Communications of the Southwest), TT-2002-1136 (for Sprint Communications Company, L.P.), and XT-2003-0047 (for MCI WorldCom Communications Inc.), the Commission approved tariff sheets that were filed by each competitive telecommunications company to create a charge characterized as an “In State Access Recovery Fee,” an “In-State Connection Fee,” or an “In State Access Recovery Charge” of approximately \$2.00 on their customers' monthly bills. In each case, the OPC petitioned for judicial review and the Cole County

Circuit Court affirmed the Commission's decisions. The Western District Court of Appeals reviewed the Commission's decisions in a consolidated proceeding and in Case No. WD63133 (consolidated with WD63134 and WD63135), determined that regardless of whether a case is contested or uncontested, the Commission must place its decision in writing, and must include findings of fact and conclusions of law that permit review. The Court remanded the cases to the Commission because the findings of fact were either inadequate or nonexistent, in that the Commission did not address many of the points raised by OPC and that the Court was simply unable to determine how the Commission arrived at its conclusion that the proposed tariff revisions were just and reasonable. On remand to the Commission, the parties submitted a new record and the Commission, relying upon that new record, again declined to reject the tariff sheets establishing the surcharges. Additional cases have been consolidated with the initial group, where companies have sought to increase the initial surcharge. The Commission considered the anti-discrimination provisions of Sections 392.200.2 and 392.200.3, and found that the surcharges were not unduly discriminatory against low volume long distance, residential, or rural customers. OPC's Motion for Rehearing has been denied, and it now may seek review of these cases again.

Sprint Price Cap Adjustment: In Case No. IT-2003-0292, *In the Matter of the Tariff Filing of Sprint Missouri, Inc. d/b/a Sprint to Increase the Rate for the Metropolitan Calling Area Plan*, the Commission approved Sprint Missouri, Inc.'s tariff sheets to increase the residential and business monthly rate for the Metropolitan Calling Area Plan (MCA). The Commission concluded that regardless of whether the price cap statute creates a rebuttable or un rebuttable presumption that a properly calculated price cap increase is just and reasonable, the increase should be approved. OPC petitioned for review. In Circuit Court Case No. 03CV326644, the Circuit Court (Judge Brown) affirmed the Commission's decision but concluded that the Commission does not have the authority to reject price cap increases on the basis that they are not just and reasonable. OPC appealed to the Missouri Court of Appeals for the Western District in Case No. WD64737. The Western District affirmed the Commission's decision on November 1, 2005. The Court did not provide a published opinion because it "would have no precedential value." Instead, the Court issued a *Memorandum Supplementing Order Affirming Judgment Pursuant to Rule 84.16(b)*, which holds no precedential value, but offers the parties an explanation of the Court's rationale. In the *Memorandum*, the Court stated: 1) A price cap regulated ILEC has "the right to annually increase its rates for non-basic service by up to eight percent from the previous year's rate."; 2) "[H]aving determined that Sprint complied with the statutory price cap regulations, the PSC was required to approve Sprint's proposed tariff revisions."; and 3) The Commission's "role is to determine whether the proposed rates exceed the statutory maximum allowable price." The Court concluded that "Sprint complied with the statutory requirements of 392.245.11 in seeking to increase its rates for MCA service and, therefore, the PSC's order approving Sprint's proposed tariff revisions was lawful and reasonable."

Compensation for Terminating Wireless Traffic: In Case No. TT-99-428, *In the Matter of Alma Telephone Company's Filing to Revise its Access Service Tariff, P.S.C. Mo. No. 2*, the Commission rejected small ILEC tariff filings which would apply intrastate access charges to all types of terminating traffic. The Commission rejected on the grounds that the tariff would apply access to intra-MTA wireless traffic in violation of federal law. The small

ILECs appealed and the Circuit Court, in Case No. 02CV324810, reversed. The Commission and the wireless carriers appealed to the Missouri Court of Appeals for the Western District in Case No. WD62961. The Western District reversed and remanded the case back to the Commission. The Supreme Court granted the wireless carriers' Petition for Transfer and heard oral arguments on September 28, 2005. [The Commission's decision was affirmed by the Supreme Court in January 2006].

Effective Competition in SBC Exchanges (SBC's first case): In Case No. TO-2001-467, the Commission held that SBC, a price cap regulated ILEC, faced effective competition for business services in the Kansas City and St. Louis exchanges and for residential services in the Harvester and St. Charles exchanges. The Commission also held that several other SBC company-wide services had become competitive by operation of law under the transitionally competitive statutes. OPC petitioned for judicial review. The Circuit Court affirmed, in part, and reversed, in part, the Commission's decision. Various appeals followed. The Western District of the Missouri Court of Appeals affirmed the Commission's factual findings that effective competition existed in the listed SBC exchanges, but reversed the Commission's conclusion that several other services had become competitive by operation of law. The Western District held that when SBC became a price cap regulated company, all of its services became price cap regulated. The Missouri Supreme Court denied transfer. The case has been remanded to the Commission.

8% Rate Increase for Nonbasic Services: In Case No. IT-2004-0015, the Commission rejected SBC's proposed rate increases of 8% or less for two nonbasic services. The Commission held that the Price Cap Statute, Section 392.245 RSMo, creates a rebuttable presumption that rate increases of less than 8% for nonbasic services are reasonable, but that these two rate increases are not reasonable. SBC petitioned for judicial review. The Circuit Court affirmed the Commission's decision. The Missouri Court of Appeals, Western District, reversed the Commission's order. The Court held that the Commission was not authorized to conduct a just-and-reasonable analysis of these rate increases. The Missouri Supreme Court denied transfer. The case has been remanded to the Commission.

BPS Telephone Company's First Price Cap Election: In Case No. IO-2003-0012, the Commission rejected BPS's price cap election because its resale agreement with Missouri State Discount Telephone (MSDT) included a non-compete clause. BPS petitioned for judicial review. The Circuit Court affirmed the Commission's decision. BPS has appealed to the Western District of the Missouri Court of Appeals. BPS subsequently dismissed its appeal.

BPS Telephone Company's Second Price Cap Election: In Case No. IO-2004-0597, the Commission rejected BPS's price cap election because MSDT was not providing basic local service in a manner that would allow BPS to elect price cap regulation. BPS petitioned the Circuit Court for judicial review. BPS subsequently dismissed its petition.

ALLTEL Price Cap Election: In Case No. IO-2002-1083, the Commission rejected ALLTEL's price cap election because MSDT and Universal Telecom are not providing basic local service in a manner that would support price cap election by a small ILEC. ALLTEL

petitioned the Circuit Court for judicial review. In Case No. IO-2006-0112, the Commission acknowledged ALLTEL's election to be price cap regulated under Section 392.245.2 as amended by SB 237. ALLTEL then dismissed its petition for judicial review.

Sprint Price Cap Rebalancing for 2001: In Case No. TR-2002-251, the Commission approved Sprint's 2001 rate rebalancing under Section 392.245.9 RSMo, the Price Cap Statute. OPC petitioned for judicial review. The Circuit Court affirmed the Commission's decision. OPC appealed to the Western District of the Missouri Court of Appeals. The Court reversed and remanded to the Commission to make findings of fact. On remand, the Commission has again approved Sprint's 2001 rebalancing. OPC petitioned for judicial review. The Cole County Circuit Court affirmed the Commission's Orders on Remand addressing Sprint's price cap rebalancing for 2001, 2002 and 2003. OPC has appealed to Missouri Court of Appeals.

UNE Remand: In Case No. TO-2001-438, the Commission decided 356 separate issues regarding the prices that SBC would charge for unbundled network elements. SBC appealed parts of that decision to the U.S. District Court for the Western District of Missouri. The Court affirmed, in part, but vacated the Commission's capital structure determination. The Court held that the Commission improperly used SBC's per book capital structure as a starting point. On remand, in Case No. TO-2005-0037, the Commission concluded that an appropriate hypothetical capital structure for SBC contains 70 percent equity and 30 percent debt. The Commission's order on remand was not appealed.

M2A Successor Agreements: In Case No. TO-2005-0336, the Commission arbitrated unresolved issues for successor agreements to the Missouri 271 Agreement. SBC Missouri appealed to the federal District Court for Eastern Missouri. SBC Missouri argues that the Commission's order conflicts with the FCC's Order on Remand. Charter's crossclaim argues that the Commission incorrectly determined that a local calling scope is defined by SBC Missouri's tariff. The case has been briefed.

Socket and Spectra Interconnection: In Case No. CO-2005-0066, the Commission held that Socket could not adopt the AT&T/GTE interconnection agreement for interconnection with Spectra. Socket appealed to the federal District Court for Western Missouri. Socket and Spectra agreed to settle their dispute through an interim agreement approved in Case No. TK-2006-0175, and the appeal was dismissed.

T-Mobile/Small LEC Arbitration (Alma Arbitration): In Case No. IO-2005-0468 the Commission issued its Arbitration Report on October 6, 2005, resolving arbitrated issues between T-Mobile and the following small incumbent local exchange companies: Alma Telephone Company, Northeast Missouri Rural Telephone Company, Mid-Missouri Telephone Company, and Chariton Valley Telephone Corporation. The small ILECs appealed to the United States District Court for the Western District of Missouri (Case No. 05-04358-CV-C-NKL). The issue raised on appeal by the small ILECs argues that the Arbitration Report unlawfully applies reciprocal compensation to interexchange traffic. [On February 6, 2006, the small ILECs filed their Motion for Summary Judgment. The Commission's response to the Motion is due March 8, 2006].

Section XVI. Tariffs, Certificates, and Applications

A. Service/Rates

Tariff Submission JC-2005-1063 was assigned to a filing in which **AT&T** proposed to revise the prorating language that applies when customers disconnect their service prior to the end of their billing cycle. On June 16, 2005, the Commission suspended the filing for 60 days in order to examine the reasonableness of the proposal. The filing was docketed as Case No. TT-2005-0490. On June 21, AT&T withdrew the proposed tariff sheets, and the Commission closed the case on July 1.

On December 13, 2004 **Orchard Farm Telephone Company** made touch tone service mandatory for all new customers. Existing customer rates were not affected as the 21 customers not subscribing to touch tone were grandfathered and will not be charged the touchtone rate unless they decide to sign up for the service. Tariff Submission LI-2005-0374.

In Tariff Submission JI-2005-0378, **SBC** implemented the “Big Easy” promotion for business customers. The optional plan was designed to provide one state-wide rate for all large business customers electing the plan. Some subscriber locations in rural areas experienced a rate increase, although the over-all effect reduced rates.

In Tariff Submission JI-2005-0565, **SBC** implemented “211” Service in certain telephone areas of Southwestern Bell Telephone Company. Rates are \$800.00 per central office to initiate service and a \$35.00 monthly charge thereafter. Tariff sheets were effective on February 28, 2005. “211” Service is an abbreviated dialing code assigned for community information and referral services and may be purchased only by Information and Referral providers authorized by the Commission. Information and Referral providers act as intermediaries, matching persons with the necessary combination of human services that will address the individuals’ needs. Currently, the Heart of Missouri United Way is Missouri’s only authorized provider.

In an application, **Alma Telephone Company** (Case No. IE-2005-0346), **Northeast Missouri Rural Telephone Company** (Case No. IE-2005-0347), **TON Services, Inc.** (Case No. XE-2005-0373), and **Consolidated Communications** (Case No. XE-2005-0367), requested a waiver of a Commission rule requiring direct assessment of the state Universal Service Fee surcharge. Commission rule 4 CSR 240-31.065 mandates that telephone companies shall apply a surcharge for the Missouri Universal Service Fund. In 2005, the Commission granted waivers of this rule to the four above-named telephone companies who requested the waiver. According to the Applicants, the administrative cost of passing through the surcharge to their customers is greater than the amount likely to be collected; therefore, the Applicants requested they be allowed to pay the assessment without passing through the assessments to end-users. The Staff recommended Commission approval of the rule waivers, and the Commission granted the requests and the cases were therefore closed.

In Tariff Submissions JI-2005-0833 and JI-2005-0899, **SBC** and **Kingdom Telephone Company** proposed a boundary revision to the Fulton and Hatton exchanges in order to accommodate the needs of one customer who had requested to be served out of Kingdom's Hatton exchange. To the Staff's knowledge, this marked the first time an exchange boundary was moved for no economic reason. The filing became effective on May 14, 2005.

CenturyTel's Tariff Submission JI-2005-1059 permitted the company to decrease overall prices for fractional "T-1" service by up to 25% even though one particular rate element (36-month facility charge) actually increased by more than the 8% price cap for non-basic service.

Sprint Missouri submitted Tariff Submissions JI-2006-0090 and JI-2006-0091 to remove the listings of Maximum Allowable Rates. Maximum Allowable Rates were originally instituted by Sprint to establish guidelines applicable to regularly tariffed rates under price cap regulations per Section 392.245 RSMo. Pursuant to Case No. TT-2002-447, the Commission disapproved "banking" of maximum allowable prices.

Instate Access Recovery Fee (Case No. TT-2002-129 et al): Acting on remand, the Commission consolidated five tariff cases and established a procedural schedule for the submission of evidence, briefs, and proposed findings of fact and conclusions of law. This case involves tariff sheets of **Sprint, AT&T, and MCI** which impose an additional fee of approximately \$2.00 on residential customers' long distance telephone bills which, according to the telephone companies, are designed to recover excessive access costs associated with providing long distance service in Missouri. On December 13, 2005, the Commission issued its Report and Order reaffirming the reasonableness of the charges being contested by OPC. This case was closed on February 8, 2006, and is addressed further in the Appeals section of this Year-in-Review Report.

Case No. TT-2006-0113 was created when **Socket Telecom** filed to intervene in CenturyTel's tariff filing to change the definition of private switch 9-1-1 service to include public switch 9-1-1. According to CenturyTel, numerous CLECs elect to order 9-1-1 services from CenturyTel's private switch 9-1-1 tariff and the changes are needed to properly apply the charges. According to Socket, federal law requires CenturyTel to charge cost-based rates for wholesale 9-1-1 services; moreover, such rates should be contained in interconnection agreements and not retail tariffs. On November 1, CenturyTel withdrew the tariff sheets and the case was closed on November 2. CenturyTel later refilled tariff sheets indicating that it would not institute private switch 9-1-1 charges unless CLECs agreed to such charges.

In Tariff Submission JC-2006-0221, **Xspedius** filed tariff sheets which implemented an In-state Access Recovery Fee. The company, which serves only business customers, proposed the fee as a percentage, up to 7.1%, on each customer's total monthly recurring charges for all services. The filing went into effect on October 21, 2005.

B. Wholesale/Access

Tariff Submission JX-2005-0934 was assigned to a filing by **Xspedius** in which the company issued a revision to its access tariff designed to implement a wireless termination service charge. Staff submitted a recommendation to approve the filing; however, the Commission suspended the filing for 30 days to permit sufficient time to address questions about whether the tariff sheets complied with federal regulations. Case No. XT-2004-0478 was then docketed. Pursuant to an Order of the Commission, the Staff supplemented its recommendation on June 17, 2005. In its supplemental recommendation, the Staff addressed the ambiguities in a recent FCC order which determined that, going forward, incumbent local exchange carriers are prohibited from imposing compensation obligations on wireless providers via tariffs. Staff concluded that the FCC's order was limited to incumbent local exchange carriers, and did not apply to competitive carriers such as Xspedius. On July 7, Xspedius withdrew its tariff filing and the case was closed on July 8.

Tariff Submission JI-2005-1081: On June 3, 2005, **Sprint Missouri** withdrew its PSC Mo. No. 11 Wireless Termination Tariff pursuant to FCC CC Docket No. 01-99 FCC 05-42. Wireless termination tariffs had been used by Missouri carriers as a method of charging for wireless originated calls in the absence of Commission-approved Interconnection Agreements. In a February 24, 2005 Declaratory Ruling and Report and Order, the FCC determined that, on a going-forward basis, incumbent local exchange carriers may not use state-approved tariffs as an intraMTA wireless compensation mechanism.

In Tariff Submission JL-2006-0390, **XO Communications** submitted a tariff filing which established a tandem switching rate element to be used in lieu of the carrier common line and local switching rate elements. The filing went into effect on December 23, 2005.

C. Geographic Deaveraging

Tariff Submission JX-2005-0496 (Case No. TT-2005-0217): On December 29, 2004, **Sprint Missouri** submitted a proposal to implement a local exchange promotion limited to only five of its telephone exchanges. Sprint's filing was also submitted on 10-days notice to the Commission, rather than the 30-day process pursuant to 4 CSR 240-3.545(16). Among other matters, the Staff contended that Sprint's filing was in contravention of 392.200(4)(1) because the proposal was limited to specific geographic areas of Sprint's service territory. Sprint subsequently filed substitute tariff sheets to lift the geographic limitation of its proposal; however, the Staff continued its objection to the 10-day time limit of the filing. On January 13, 2005, the Commission issued an Order Denying Staff's Second Motion to Suspend. The Commission reasoned that the filing did represent a reduction in telephone rates, thus qualifying for a promotion under the Commission's 10-day tariff filing process.

In Tariff Submission JX-2005-0365, the Commission permitted **CenturyTel Long Distance** to geographically deaverage long distance rates in the exchanges of Troy, Augusta, Dardenne, Defiance, Foristell, Moscow Mills, O'Fallon, St. Peters, Wentzville and New Melle. This marked the first time a long distance company was permitted to charge lower rates in a certain geographic service area.

Case No. TO-2005-0290 - On February 29, 2005, **Sprint Missouri** filed an application to geographically deaverage prices for local and long distance telephone service in the exchange areas of Ferrelview, Platte City, Wellington, Weston, and Kearney. Sprint later amended its application stating that the addition of Wellington was in error. According to Sprint, the application was made to permit Sprint to lower prices in response to competition from competitive local exchange carriers – in particular, Time Warner Cable Telephone Company. According to Sprint’s filing, it has lost significant business to its competitors in the named areas. Sprint’s filing was made pursuant to Section 392.200(4)(2)(a) RSMo. This section of Missouri law contemplates that incumbent and competitive local exchange carriers should have an opportunity to price and market services to all prospective customers in any geographic area in which competition for local telephone service exists. The Telecommunications Department reviewed the tariff sheets and on March 22 recommended approval to permit the exchange-specific pricing proposed by Sprint. The Commission approved the tariff sheets on April 12, 2005.

CenturyTel submitted a proposal to geographically deaverage long distance telephone rates for customers in the Augusta, Dardenne, Defiance, Foristell, Moscow Mills, New Melle, O’Fallon, Old Monroe, St. Peters, Troy, Wentzville, and Winfield telephone exchanges. Tariff Submission JX-2006-0021 permits CenturyTel to offer special bundles of services and to charge long distance rates as low as \$.05 cents per minute to customers in these selected exchange areas.

Sprint Missouri submitted tariff submission JI-2006-0203 which geographically deaveraged rates for the Special Plan bundle in the Rolla exchange. Pursuant to SB 237, carriers are permitted to decrease rates for existing services on one day’s notice to the Commission. Also pursuant to SB 237, carriers are permitted to offer bundles of services without regard to Section 292.240 and 392.245.

D. Certificates/Detariffing

Case LA-2005-0150 involved **Mediacom’s (MCC Telephony)** CLEC certificate and stipulation and agreement. Mediacom filed, on November 30, 2004, an application for a certificate to provide basic local telephone service. The Small Telephone Company Group and the Missouri Independent Telephone Company Group of local exchange carriers filed Applications to Intervene in the case, although Mediacom did not ask for authority to provide service in any STCG or MITG company service area. On March 18, Mediacom, the STCG, the MITG, and the OPC submitted a nonunanimous stipulation outlining details of Mediacom’s service offerings. The Staff did not oppose the stipulation. On May 5, 2005, the Commission granted Mediacom’s certificate and closed the case.

Case No. XD-2005-0440 *et al.* **Laclede Technologies, Webster Technologies, Crawford Technologies, Se-Ma-Na Technologies, Howell-Oregon Technologies, Southwest Fiber Communications, Gascosage Technologies, White River Technologies.** This case began when the above named companies requested the Commission cancel all relevant certificates of service authority and accompanying tariffs. In making their requests, the Applicants stated that business models for deployment of broadband fiber optic facilities in Missouri

changed since the original grant of certification. In support, Applicants assert that they did not, and have not, provided telecommunications services “to the public” in Missouri and that services were limited to “dark fiber.” Discussions between the Applicants and the Staff culminated in an affidavit of Mr. John Richards of Sho-Me Technologies. Pursuant to Staff’s recommendation, the Commission cancelled the certificates and tariffs on November 1, 2005.

On September 23, 2005, **Time Warner** submitted Tariff JL-2005-0231 which proposed to delete specific rates for its Missouri telecommunications services, and to implement individual case basis pricing arrangements with customer-specific contracts. Time Warner contends that its proposal is supported by a recent ruling by the FCC which pre-empted the Minnesota Commission from exerting jurisdiction over the Voice over Internet Telephone services offered by Vonage. The Staff contends that Time Warner’s filing is in contravention with Missouri law, and is not supported by the FCC’s Vonage order. On October 13, the Staff moved to suspend Time Warner’s filing. The Commission docketed the case as Case No. LT-2006-0162 and an evidentiary hearing is scheduled for February 23, 2006.

Section XVII. Special Projects

Determining Missouri’s statewide average rate (Case No. TO-2006-0084): Section 392.245(13) requires the Missouri Commission to determine a statewide weighted average basic local services rate as of August 28, 2005. Staff calculated the statewide residential and business average rate to be \$13.77 based on information supplied by 98 companies providing basic local telecommunications service. The residential statewide weighted average basic local rate was \$11.62 based on 2,218,543 residential lines. The business statewide weighted average rate was \$27.91 based on 336,450 lines. The statute requires the Commission to recalculate the weighted statewide average rate two years and five years later.

Investigation of Universal Telecom, Inc. and Missouri State Discount (Case No. TO-2005-0128): The Commission opened the case by directing Staff to investigate the services provided by two local exchange carriers specializing in providing service on a prepaid basis. Staff was ordered to “file a recommendation as to whether the certificates of those companies should be cancelled.” On November 10, 2004, Staff filed its Report and Recommendation in which Staff recommended the certificates not be cancelled. In addressing the question of whether prepaid resellers provide all services which have been deemed as essential for the purposes of qualifying for universal service, the Staff concluded prepaid resellers do not conform to such requirements. To address the question, Staff suggested that, pursuant to Section 392.410.5, the Commission modify the certificates of prepaid service providers. In closing the case, the Commission determined that it did not wish to single-out the two companies for action. In lieu of cancellation, the Commission indicated it would consider an investigation into the services provided by prepaid providers or a rulemaking. The case was closed on February 22, 2005.

Telecommunications Monthly Report - Adam Mckinnie and Bill Peters built an Access database to track cases in the Telecommunications Department. When cases are properly updated by primary assigned Staff, a current report of open telecommunications cases should be available at any time. Primary Staff persons update the status of their open cases by

populating a form in Access. A report template is set up so that a current report can be generated in just a few clicks of the mouse. Using the form and producing reports seems to be working rather well. Automating this process by using the data available in EFIS is the most logical next step, so that new cases would be added as soon as they were added to EFIS. Currently primary Staff persons must manually add any new cases to the database.

Telecommunications Website – Prompted by complaints that it was difficult to find information on the Telecommunications section of the PSC Internet website, Bill Peters put together a plan to allow the entire department to easily suggest new organization for the website. After receiving feedback from interested Staff, Bill Peters put together a demonstration of those ideas as a newly organized website and worked with IS to implement the changes. The website is now split into two primary sections - Industry and Consumer.

Economic Impact of Municipalities Providing and/or Owning Cable and Telecommunications Services and/or Facilities: Pursuant to Section 71.970.2, RSMO 2000, the Telecommunications Department Staff conducts an annual survey of 640 municipalities to determine the economic impact of municipally provided cable television and/or telecommunications services. The 2005 survey revealed four municipalities, Newburg, Kahoka, Unionville and Poplar Bluff, provide cable television to their communities through either municipally owned or controlled facilities. The survey also revealed one municipality (Springfield) provides telecommunications services (not basic local telecommunications) and ten municipalities, Carthage, Chillicothe, Grant City, Macon, Marshall, Paris, Poplar Bluff, Sikeston, Springfield and Vandalia, provide some form of Internet access services over municipally owned or operated facilities to their residents and/or local businesses. These services vary over a wide range of speeds and prices, and use wireline and wireless technologies. Cities indicate they provide these services because either there is no such service currently being provided or because the quality of the existing service is poor. Evidence exists suggesting when private, commercial providers enter the market, the municipalities exit. Newburg indicates it is selling its cable television network to Cable America, and Albany sold its Internet access facility to a private firm in 2003.

811 Workshop: In March 2005, the FCC issued its Sixth Report and Order designating 811 as the national abbreviated dialing code for "call before you dig" systems. The FCC allowed two years from the date of publication for implementation of 811 and delegated to state commissions the authority to address technical and operational issues associated with the implementation. Staff had several conversations with the Missouri One Call Center about implementation of 811. An 811 implementation workshop was held on October 28 to identify and address outstanding issues. The workshop was well attended and several issues were identified for further consideration (cell sites that bleed over to other areas/states, misdials, costs associated with implementation, application to VoIP providers and public awareness initiatives). Several action items and follow-up dates in 2006 were established.

Section XVIII. Legislation

2005 Legislation Enacted

Senate Bill 237 became effective August 28, 2005 repealing and enacting several statutory sections related to telecommunications companies.

Section 392.200.8 – Allows customer-specific pricing for incumbent local exchange carriers, competitive local exchange carriers and interexchange carriers for any business services offered in an exchange in which basic local telecommunications service offered to business customers by the incumbent company has been declared competitive under section 329.245.

Section 392.200.12 – Allows incumbent and competitive local exchange companies to offer packages of services without being subject to price regulation as long as each service in a package is available apart from the package and is subject to price regulation. A “package of services” includes more than one telecommunications service or one or more telecommunications service combined with one or more non-telecommunications service.

Section 392.245 – Clarifies that any rate, charge, toll or rental that does not exceed the maximum allowable price under the price cap statute shall be deemed just, reasonable and lawful.

Allows small incumbent local exchange telecommunications companies to be regulated under the price cap statute upon providing written notice to the commission that two or more commercial mobile service providers providing wireless two-way voice communications services are providing services in any part of the small incumbent’s service area.

Competitive classification - Establishes a 30-day track and a 60-day track for telecommunications services, except exchange access service, of an incumbent local exchange carrier regulated under the price cap statute to be classified as competitive services. Under the 30-day track, business or residential services within an exchange shall be classified as competitive within the exchange when two non-affiliated entities in addition to the incumbent local exchange company are providing basic local telecommunications services, in whole or in part using its own facilities, to business or residential customers, respectively. One of those non-affiliated entities can be a wireless provider. The non-affiliated entities cannot be providing resold or prepaid service and cannot be a provider of local voice service requiring the use of a third party, unaffiliated broadband network or dial-up Internet network for the origination of local voice service.

Under the 60-day track, an incumbent local exchange company may petition the commission for competitive classification within an exchange based on competition from any entity providing local voice service in whole or part by using its own facilities or the facilities of a third party, including unaffiliated third-party Internet service providers.

The commission is to review the status of competition at least every two years or each time an incumbent local exchange telecommunications company increases rates for basic local telecommunications services in an exchange classified as competitive.

Section 392.500 – Allows the rates or charges for competitively classified services to decrease after one days' notice to the commission.

Section 536.037 – Requires the commission to submit proposed rulemakings to the Joint Committee on Administrative Rules (JCAR).

2006 Proposed Legislation

In 2005, the Telecommunications Department proposed three pieces of legislation for consideration by the Commission.

1. Calling scopes – clarify the Commission has authority to modify existing expanded local calling scope plans, such as the MCA, and establish new expanded local calling scope plans. The Commission decided not to pursue proposing the legislation, but Representative Robert Johnson sponsored a bill (HB1069) encompassing the proposal.
2. Relay Missouri – expand Relay Missouri funding so that wireline and wireless customers are assessed the Relay Missouri Surcharge rather than the current funding arrangement where only wireline customers are assessed. Provide the Commission with the authority to place limits and/or restrictions on the equipment distribution program. The Commission decided not to pursue proposing the legislation.
3. Detariffing – give the Commission the discretion to not require telecommunications companies to file a tariff with the Commission with additional authority to require telecommunications companies to post certain rate information on a company's website, provide some form of informational filing and/or enter into customer contracts. Details would be addressed through a Commission rulemaking. The Commission submitted this legislative proposal for consideration by the Office of Administration and the Governor's Office. No further action has been taken on this proposal.

Section XIX. M2A Performance Measures Results

On November 22, 2005, the Commission closed Case No. TO-99-227, which was the case through which the Commission monitored SBC's Section 271 compliance requirements. In order to ensure all Regional Bell Operating Companies provide nondiscriminatory wholesale services to competitors, the Telecommunications Act of 1996 provided certain standards which the RBOCs, including SBC, were required to meet in order to receive permission to enter the long distance telecommunications market. During the period from April 2001 to August 2005, SBC and the Commission regularly monitored between 1,224 to 1,454 activities and services provided to and for competitive companies on a monthly basis. A monthly average of 384 of these activities and/or services experienced statistically measurable activity and data indicated SBC met compliance standards for 94 percent of these

activities each month. During this period, SBC paid slightly over \$5,050,000 to competitors as liquidated damages and slightly less than \$2,018,000 to the state when services fell below minimum standards.

Section XX. Mergers/Financial Transactions/Name Changes

Sprint/Nextel transfer of control (Case No. IO-2006-0086): On August 23, 2005, the Sprint Nextel Corporation filed an application to transfer control of Sprint Missouri, Inc., Sprint Long Distance, Inc. and Sprint Payphone Services from Sprint Nextel Corporation to LTD Holding Company. If approved, Sprint's wireline local service operation will be separated into an independent, stand-alone operation. Sprint's wireless operations, Sprint Communications Company L.P. and relay operations will remain under the Sprint Nextel Corporation. The case is currently pending.

Alltel transfer of control (Case No. TM-2006-0272): On December 22, 2005, Alltel Missouri, Inc. and Alltel Communications, Inc. filed an application seeking approval for the transfer of control of Alltel Missouri and the transfer of the resale interexchange service customer base of Alltel Communications to other entities. The case is currently pending.

SBC's acquisition of AT&T (Case No. TM-2005-0355): On February 28, 2005 the Commission received a letter from SBC Missouri attorney Paul Lane notifying the Commission of SBC's planned acquisition of AT&T. SBC was not requesting Commission approval; however, the OPC later filed comments asking the Commission to open a case and conduct an investigation of the proposed merger. The Commission ultimately closed the case citing it had no jurisdiction over the merger since the transaction is at the holding company level. In the fall of 2005, the FCC approved the acquisition. In December 2005, the three SBC companies sought Missouri Commission approval to change their names to AT&T (e.g., SBC Missouri became AT&T Missouri, SBC Long Distance became AT&T Long Distance and SBC ASI became AT&T ASI). See Case Nos. **IN-2006-0232** (SBC Missouri name change) and **XN-2006-0268** (SBC Long Distance name change). AT&T Communications Southwestern did not change its name. The two TCG companies previously owned by AT&T also did not change their names as a result of the acquisition.

Verizon/MCI merger: No case was established before the Missouri Commission regarding the Verizon/MCI merger; however the FCC approved the transaction. In December 2005, MCI Communications Services, Inc. filed proposed adoption notices and title pages reflecting its new fictitious name, Verizon Business Services. See **Case No. XN-2006-0275**.

Green Hills Telephone Company (Case No. IF-2005-0506): The Commission approved an application of Green Hills Telephone Company for the authority to enter into a \$22,704,000 loan from the Rural Utilities Service; however, Green Hills only has approval to draw no more than \$9,500,000. If the company desires to draw more than \$9,500,000 the company shall apply again to the Commission for approval. The company is using the money to replace old copper with a combination of new fiber (12,000 feet from the home) and new copper.

Oregon Farmers Telephone Company (TF-2005-0503): The Commission approved Oregon Farmer's application for authority to execute a Secured Guaranty in favor of the Rural Telephone Finance Cooperative (RTFC). In Case No. IM-2004-0461, the Commission approved Northwest Missouri Holding's stock purchase of Oregon Farmers. In that prior case, Oregon Farmers was allowed to execute and deliver a Deed of Trust, Security Agreement and Financing Statement placing a lien on its assets in order to secure a loan from the RTFC to Northwest Missouri Holdings in the amount of \$7,388,889. The RTFC has now requested Oregon Farmers execute a Secured Guaranty to serve as additional security for the RTFC loan to Northwest Missouri Holdings.

Goodman Telephone Company (Case No. TF-2006-0003): Effective October 23, 2005, the Commission approved Goodman's request to borrow up to \$464,100 in order to refinance its current debt and obtain a better interest rate.

Alma Telephone Company (Case No. TU-2005-0358): Effective June 24, 2005, the Commission approved Alma's request to borrow up to \$5,579,000 from the Rural Utility Services Administration (RUS). Alma plans to use the money to purchase a new switch and replace all of its outside plant so that it will be 100% fiber to the home. Alma currently serves approximately 350 customers.

Miller Telephone Company (Case No. TO-2006-0239): The Commission approved Miller's request to establish minimum depreciation rates and to record depreciation expense in excess of such minimum rates. The filing is consistent with 392.280.2 RSMo.

Section XXI. Relay Missouri

The current relay contract expires on June 30, 2006. The Commission has the option to exercise three extensions of the current relay contract. Staff coordinates the Relay Missouri Advisory Committee's (RMAC) activities and communicates their suggestions and concerns to the Commission. The RMAC meets regularly twice a year and met this year on January 19, April 13 and October 19 in Jefferson City. The RMAC consists of six members from the deaf, hard-of-hearing, late deafened, speech-impaired and hearing communities as well as representatives of the Missouri Commission of the Deaf and Hard-of-Hearing, Missouri Telecommunications Industry Association, the Relay Missouri services vendor (currently Sprint TRS), OPC and PSC Staff.

Relay surcharge (Case No. TO-2005-0308): On June 28, 2005, the Commission issued an order increasing the Deaf Relay surcharge to \$0.13 per local telephone access line per month. The new surcharge was implemented on September 1, 2005. The current \$0.10 surcharge was implemented on July 1, 2003. According to Staff's estimations, had the surcharge not been increased the Deaf Relay Fund would have been exhausted around March or April 2006.

The Commission also continued the current compensation arrangement by which local telephone companies are compensated for collecting and remitting surcharge monies from and for local customers. That arrangement allows local telephone companies to retain 1% or \$30, which ever is greater, from the surcharge revenues collected.

Staff was ordered to provide quarterly reports outlining the impact of the Relay Missouri Surcharge on the Deaf Relay Fund. Staff filed the first of these reports on September 30, 2005, and filed a supplemental report on October 11, 2005.

Relay Fund Statistics:

January-November usage: 3,153,331 minutes (traditional and CapTel)

Surcharge and Interest revenues January-December: \$3,911,040.89

The November closing balance of the Deaf Relay fund was \$1,708,193.51

Equipment Distribution Program: During the last half of FY 2005, the Missouri Assistive Telecommunications Equipment Program (MATEP) implemented policies designed to ensure that captioned telephones, assigned to eligible users, were only used by the assigned users. The new policy clarified that the equipment remained the property of the state, required annual recertification of the equipment recipient to ensure that only qualified persons actually had the equipment, and attempted to allow some monitoring of the usage of the CapTel system. The change in policy allowed the program administrators to identify persons who did not use their assigned phone and users that were not located in the state. MATEP and the Commission have combined efforts to ensure that the equipment and the underlying systems providing the captioning service are only used by qualified persons and that when evidence exists indicating that service is either not being used or is being used by nonqualified persons to discontinue the captioning feature of the captioning telephone. As of December 2005, about 40 out of 203 phones have been identified as being eligible for discontinuance of captioning service.

Section XXII. Exchange Access Charges

Exchange access charges are the rates charged by a local exchange carrier to a long distance carrier for the use of the local exchange carrier's network. Exchange access charges are not paid directly by consumers or end users of telephone service; rather, exchange access charges are wholesale charges paid by one telephone company to another. Exchange Access Service consists of two different types of access. The most common form of exchange access, called "switched access", utilizes switching and local loop facilities of local exchange carriers. Another form, denoted "special access", does not use switching facilities of local exchange carriers. In a special access arrangement, the long distance carrier purchases facilities that connect the end user directly to the long distance carrier's network.

The diagrams and rates in this section only attempt to depict switched access. How does one compare the access charges of different local exchange telephone carriers when the carriers use differing practices and methods for applying these rates? To answer this question, the department developed a Switched Access Rate Comparison table, to allow a simplified visual ranking of the switched access rates established by incumbent local exchange carriers (ILECs) in Missouri. The values calculated for this table do not necessarily represent a specific charge that would appear on a bill in the real world, but provide a means for matching charges in a consistent manner between divergent ILECs.

The values of interLATA and intraLATA charges would be the per-call amounts accrued by a long distance carrier for use of the local exchange carrier's network. The chart depicts delivery of a long distance telephone call from one point in Missouri to another point in Missouri. For comparison purposes, the chart attempts to depict a long distance telephone call as if it traveled from one exchange to another exchange belonging to the same carrier, passing through tandem switches and an interexchange carrier's (IXC) Point-of-Presence (POP) for a distance of 25 miles on each end of the "POP". The form of this routing theory is illustrated in Figure 1, which displays how and where the cost elements are applied in the network. It should be noted that Missouri has not restructured local transport as has been done by the Federal Communications Commission for interstate long distance traffic. Therefore, some interstate rate elements, such as entrance facilities, are not shown on this diagram. The rate elements shown in this diagram apply only to intrastate calls, and not to interstate calls.

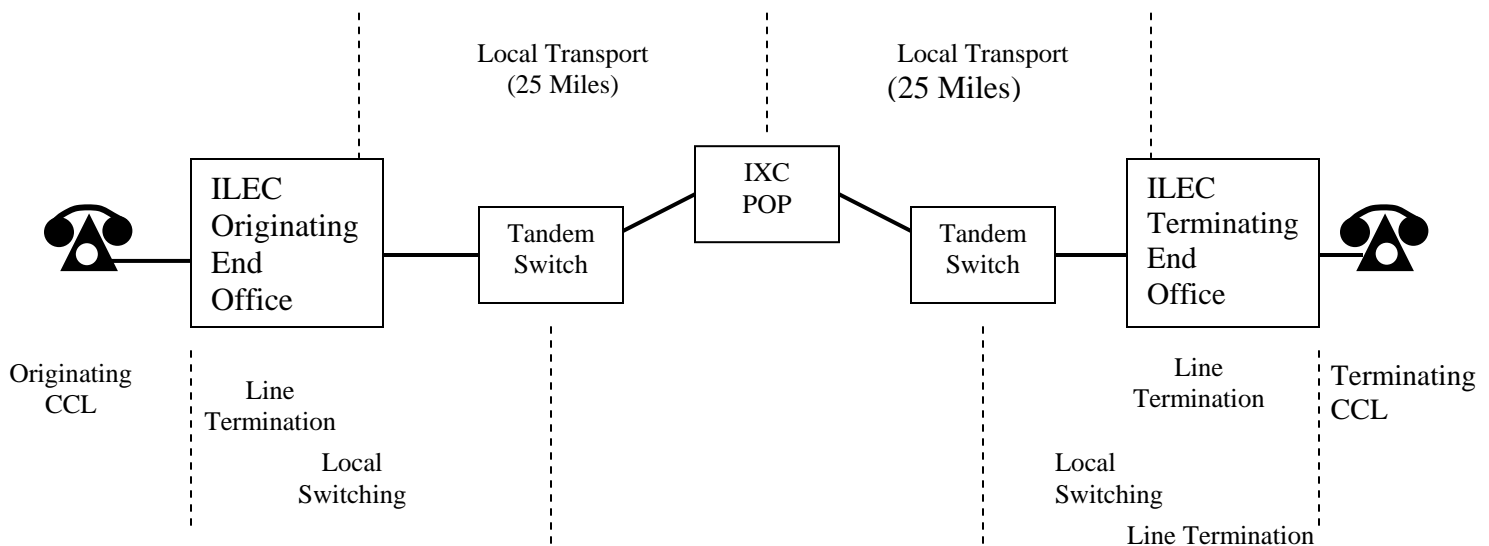


Figure 1. Interexchange Traffic Network Access Transport Configuration

The charges accrued would then include Originating Carrier Common Line (CCL) rates, the local switching and transport charges at each end of the call, and the Terminating CCL rate. The Local Transport charge is chosen for a 25-mile route, as the minimum distance-sensitive rate band published by certain companies is 25 miles. Due to differences in the way certain carriers handle their calls, additional rate elements such as "Line Termination" charges are included in calculations of the final amounts, shown under "Totals."

The totaled InterLATA and IntraLATA charges are then averaged. The ILECs are ranked according to average access charges from highest to lowest, so as to provide a simplified picture of how one ILEC's access charges compare to another:

The current rates provided in company tariffs and calculated values for comparing are listed in the Switched Access Rate Comparison table following. Five companies changed rates

within the past year and their affected rates are shown in bold type. The following four companies reduced switched access rates during 2005: CenturyTel Spectra, CenturyTel Missouri, Sprint and AT&T Missouri. These companies reduced their respective switched access rates as a result of the annual price cap adjustments. In general, these reductions moved a company one or two slots in the rankings of company switched access rates although Sprint actually declined in the rankings due to CenturyTel's rate adjustments. BPS Telephone Company reduced its carrier common line rates but increased its local transport rates. Overall BPS moved two slots in the rankings of companies' switched access rates. BPS's switched access rates were reduced due to the resolution of an earnings investigation.

Switched Access Rate Comparison of Incumbent Local Exchange Carriers (ILECs)

Sorted by Average Access Charge Ranking, from Highest to Lowest

Average Access Rank	Telephone Company	Carrier Common		Line (CCL)		Local Line FGC&D			TOTALS		Average
		Inter LATA		Intra LATA		Switching (LS2)	Termination (LT)	Local Transport (FGT)	Inter- LATA	Intra- LATA	Access Charges
		Originate	Terminate	Originate	Terminate						
1	Miller Telephone	0.0986	0.1690	0.0400	0.0686	0.0118	0.0149	0.0124	0.3458	0.1868	0.2663
2	Peace Valley Telephone	0.0530	0.1052	0.0530	0.1052	0.0118	0.0149	0.0241	0.2598	0.2598	0.2598
3	Northeast Missouri Rural Telephone	0.0574	0.1034	0.0574	0.1034	0.0118	0.0149	0.0189	0.2520	0.2520	0.2520
4	Mid-Missouri Telephone	0.0708	0.0958	0.0407	0.0697	0.0118	0.0149	0.0281	0.2762	0.2200	0.2481
5	Grand River Mutual Telephone	0.0682	0.1170	0.0418	0.0717	0.0118	0.0149	0.0221	0.2828	0.2111	0.2469
6	Ellington Telephone	0.0380	0.0652	0.0610	0.1045	0.0118	0.0149	0.0273	0.2112	0.2735	0.2424
7	MoKan Dial	0.0842	0.1443	0.0332	0.0569	0.0118	0.0149	0.0112	0.3043	0.1659	0.2351
8	Fidelity Telephone	0.0450	0.0450	0.0450	0.0450	0.0194		0.0457	0.2203	0.2203	0.2203
9	Stoutland [TDS] Telephone	0.0500	0.1538	0.0239	0.0407	0.0118	0.0149	0.0126	0.2824	0.1432	0.2128
10	Holway Telephone	0.0425	0.0820	0.0425	0.0820	0.0118	0.0149	0.0153	0.2085	0.2085	0.2085
11	KLM Telephone	0.0446	0.0745	0.0446	0.0745	0.0118	0.0149	0.0155	0.2035	0.2035	0.2035
12	Citizens Telephone	0.0445	0.0757	0.0445	0.0757	0.0268		0.0115	0.1967	0.1967	0.1967
13	BPS Telephone	0.0262	0.0626	0.0262	0.0626	0.0282		0.0133	0.2039	0.2039	0.2039
14	Steelville Telephone	0.0197	0.0698	0.0197	0.0698	0.0369		0.0140	0.1913	0.1913	0.1913
15	ALLTEL Missouri	0.0489	0.0880	0.0237	0.0427	0.0267		0.0167	0.2236	0.1530	0.1883
16	CenturyTel [Spectra]	0.0286	0.0593	0.0286	0.0593	0.0269		0.0127	0.1859	0.1859	0.1859
17	Choctaw Telephone	0.0597	0.1022	0.0317	0.0543	0.0118	0.0149	0.0035	0.2223	0.1464	0.1844
18	Oregon Farmers Mutual Telephone	0.0391	0.0692	0.0391	0.0692	0.0118	0.0149	0.0107	0.1830	0.1830	0.1830
19	Mark Twain Rural Telephone	0.0492	0.0842	0.0329	0.0564	0.0118	0.0149	0.0139	0.1949	0.1705	0.1827
20	Farber Telephone	0.0335	0.0574	0.0263	0.0451	0.0118	0.0149	0.0226	0.1895	0.1700	0.1798
21	Iowa Telecom	0.0251	0.0600	0.0251	0.0600	0.0282	0.0049	0.0133	0.1779	0.1779	0.1779
22	Chariton Valley Telephone	0.0440	0.0754	0.0322	0.0552	0.0118	0.0149	0.0104	0.1936	0.1616	0.1776
23	Cass County Telephone	0.0299	0.0446	0.0299	0.0446	0.0282		0.0133	0.1771	0.1771	0.1771
24	Orchard Farm [TDS] Telephone	0.0468	0.0802	0.0361	0.0619	0.0118	0.0149	0.0046	0.1896	0.1606	0.1751
25	New Florence Telephone	0.0208	0.0357	0.0393	0.0675	0.0118	0.0149	0.0192	0.1483	0.1986	0.1735
26	Sprint Missouri	0.0329	0.0496	0.0329	0.0496	0.0236		0.0180	0.1657	0.1657	0.1657
27	CenturyTel of Missouri	0.0200	0.0478	0.0200	0.0478	0.0268		0.0127	0.1656	0.1656	0.1656
28	Granby Telephone	0.0317	0.0543	0.0350	0.0600	0.0118	0.0149	0.0106	0.1606	0.1696	0.1651
29	Le-Ru Telephone	0.0267	0.0457	0.0267	0.0457	0.0271		0.0191	0.1648	0.1648	0.1648
30	Kingdom Telephone	0.0384	0.0659	0.0247	0.0422	0.0118	0.0149	0.0115	0.1807	0.1433	0.1620
31	IAMO Telephone	0.0254	0.0553	0.0254	0.0553	0.0118	0.0149	0.0137	0.1614	0.1614	0.1614
32	McDonald County Telephone	0.0267	0.0459	0.0267	0.0459	0.0270		0.0143	0.1551	0.1551	0.1551
33	Craw-Kan Telephone	0.0347	0.0595	0.0216	0.0371	0.0118	0.0149	0.0081	0.1638	0.1283	0.1460
34	Alma Telephone	0.0302	0.0518	0.0145	0.0249	0.0118	0.0149	0.0137	0.1628	0.1202	0.1415
35	New London [TDS] Telephone	0.0394	0.0675	0.0100	0.0100	0.0118	0.0149	0.0115	0.1833	0.0964	0.1399
36	Green Hills Telephone	0.0147	0.0507	0.0147	0.0507	0.0118	0.0149	0.0100	0.1388	0.1388	0.1388
37	Seneca Telephone	0.0192	0.0385	0.0192	0.0385	0.0179		0.0165	0.1265	0.1265	0.1265
38	Rock Port Telephone	0.0100	0.0147	0.0100	0.0147	0.0199		0.0139	0.0923	0.0923	0.0923
39	Goodman Telephone	0.0100	0.0164	0.0100	0.0164	0.0153		0.0165	0.0901	0.0901	0.0901
40	Lathrop Telephone	0.0112	0.0112	0.0112	0.0112	0.0176		0.0133	0.0842	0.0842	0.0842
41	AT&T Missouri	0.0095	0.0172	0.0095	0.0172	0.0080		0.0073	0.0573	0.0573	0.0573
42	CenturyTel of Northwest Arkansas	0.0100	0.0140	0.0100	0.0140	0.0090		0.0046	0.0513	0.0513	0.0513
43	Ozark Telephone	0.0100	0.0100	0.0100	0.0100	0.0071		0.0038	0.0473	0.0473	0.0473
Total = 43 Incumbent Local Exchange Carriers											
Access-Line-Weighted Averages =		0.01563	0.02888	0.01475	0.02732				0.0949	0.0912	0.0930

Companies and rates shown in **bold** print had switched access rates adjustments during 2005.

Bottom Row: Access-Line-Weighted Averages. show column averages after taking into account the number of telephone lines served by the individual carriers. The larger carriers will then have a greater effect on these values, producing an average rate for a telephone line in Missouri. Summation Individual Carrier's Rate x (Individual Carrier's Lines / Total of State Lines)

Column 1: Rank of Average Access rates (Highest Rates =1; Lowest Rates = 43.)

Column 9: 25-mile distance is used for this calculation.

Column 10: (InterLATA Originating +Terminating CCL Rates)+[2*(LS2+LT+FGT)]+(4*TT)

Column 11: (IntraLATA Primary Originating + Primary Terminating CCL Rate)+[2*(LS2+LT+FGT)]+(4*TT)

Column 12: Average (InterLATA Totals + IntraLATA Totals)/2

Rates valid as of writing January 18, 2006

